INCLUSIVE INNOVATION

NEW IDEAS AND NEW PARTNERSHIPS FOR STRONGER COMMUNITIES

Recommendations of the

Social Innovation and Social Finance Strategy
Co-Creation Steering Group

Employment and Social Development Canada
Emploi et Développement social Canada

Canada

Title: Inclusive innovation - New ideas and new partnerships for stronger communities.

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Executive Summary

Canada's future looks bright. Our communities are great places to live, work and play. Our economy is strong and has performed well in recent years. Our people are diverse, skilled and resilient.

Yet in the midst of our prosperity, our communities face persistent social and environmental challenges — housing insecurity, the opioid crisis, climate change, to name a few — that threaten our individual and collective well-being. These issues and others like them not only hamper economic growth, they heighten inequality, increase the need for expensive public services, and result in a profound human cost, both in terms of individual lives and social cohesion.

While great strides have been made in some areas, many complex social problems persist despite the best efforts of communities and governments across Canada. This is because we have stuck to a narrow view of society, with the private sector generating the wealth needed to improve quality of life, and the charitable and non-profit sector providing relief to people in vulnerable situations, in addition to contributing to community life in areas such as the arts and sports. Governments have upheld this view in their approach to economic growth by focusing on stimulating innovation in the private sector. But the private sector cannot solve all of society's problems. Society will be best served when all sectors work together and when governments recognize the contribution that charities, non-profits and co-operatives make to economic growth, growth that is inclusive and improves outcomes in communities.

Fortunately, a collective awareness is emerging within society around the need to do better. Private companies are realizing that they too can help address social, economic, and environmental challenges while making or increasing profits. Charities and non-profits are investing in research and development and creating sustainable businesses to grow the impact of their missions. Individual citizens are using their purchasing dollars to find products and investment opportunities that create greater social value. Actors in all parts of society are breaking out of their historically defined roles, merging profit and purpose, to forge new ground – all to the benefit of people. We are at a tipping point, hovering at the edge of a paradigm shift that could dramatically improve the way we approach the world's toughest challenges.

It's time for the Government of Canada to invest in social innovation and social finance

Governments all around the world, from the United Kingdom to South Korea, are harnessing this energy to move the needle on complex social, economic and environmental problems that matter to their citizens. They are investing in **social innovation** — ideas that, once adopted, help communities respond to a challenge or realize their aspirations more effectively than before. They are accelerating the growth of **social finance** — the practice of making investments to create social or environmental impact as well as financial returns — to unlock the private and philanthropic capital needed to tackle pressing challenges.

The federal government can enable a similar shift in Canada using the levers at its disposal. Each year, it delivers over $40 billion in grants and contributions and purchases almost $20 billion in goods and services. It also establishes the legal and regulatory environment in which charities, non-profit organizations and many businesses operate. It is time for Canada to deploy these levers to grow social innovation and social finance across its communities, or risk falling behind.

In 2017, the Government of Canada appointed a Co-Creation Steering Group to guide the development of a Canadian Social Innovation and Social Finance Strategy. Today, following a year-long engagement process with Canadians, we present our recommendations for the Government's consideration.

Our vision is for a better future for Canada where healthy and sustainable communities thrive; where individuals, especially those in vulnerable circumstances, have access to good jobs, and to safe, affordable housing; a future characterized by reconciliation with Indigenous peoples, dynamic official language minority communities, vibrant diversity, and social and economic inclusion. We believe that this future is within our reach, and that the Government of Canada can hasten its arrival by implementing the recommendations contained in this Strategy.

Only big picture thinking will open the space needed for social innovation

From coast to coast to coast, individuals and organizations across all sectors of society are forming networks of relationships, or *ecosystems*, where they work together to make their communities more sustainable and inclusive places through social innovation and social finance. We use the term **social purpose organizations** to refer to the diverse range of organizations engaged in these ecosystems, including charities, non-profit organizations, co-operatives, and private businesses advancing a social or environmental mission.

We believe the Government has a critical role to play in supporting these ecosystems by addressing key gaps that arise across six interconnected areas:

1. **Skills and capacity** to equip social purpose organizations with the knowledge and resources to adopt social innovation and social finance approaches;
2. **Funding and capital** opportunities so that social purpose organizations have the financial resources to develop, test, adopt, and grow innovative solutions to social and environmental problems;
3. **Market access** for social purpose organizations to be able to find buyers for their goods and services;
4. **An enabling policy and regulatory environment** that creates the conditions for social innovation, social finance and social purpose organizations to flourish;
5. **Evidence and knowledge sharing** to enable social purpose organizations and funders to work together based on what works, develop better goods and services, scale their impact and evaluate progress; and
6. **Awareness and mobilization** efforts to spur interest and build support for the growth of social innovation and social finance approaches.

This report makes 12 recommendations for the Government to help unlock the innovative spirit of Canadians.

Figure 1. Our recommendations for growing social innovation and social finance in Canada

RECOMMENDATIONS

1	Anchor commitment and long-term policy action toward social innovation and social finance in Canada through legislation
2	Establish and fund a permanent multi-sectoral Social Innovation Council to advise the federal government
3	Create a permanent Office for Social Innovation
4	Improve social purpose organizations' access to federal innovation, business development and skills training programs
5	Establish a multi-departmental Social Innovation Ecosystem Program
6	Create a Social Finance Fund
7	Ensure federal funding practices support and enable social innovation
8	Incorporate social procurement guidelines, tools and training opportunities into the Government's focus on a cohesive sustainable procurement plan
9	Address the legal and regulatory issues impeding charities and non-profits from engaging in social innovation, social finance, and social enterprise
10	Initiate a series of controlled regulatory experiments, or "sandboxes," to explore and experiment with new regulatory models
11	Establish a Social Innovation Evidence Development and Knowledge Sharing Initiative
12	Coordinate a national social innovation and social finance awareness campaign

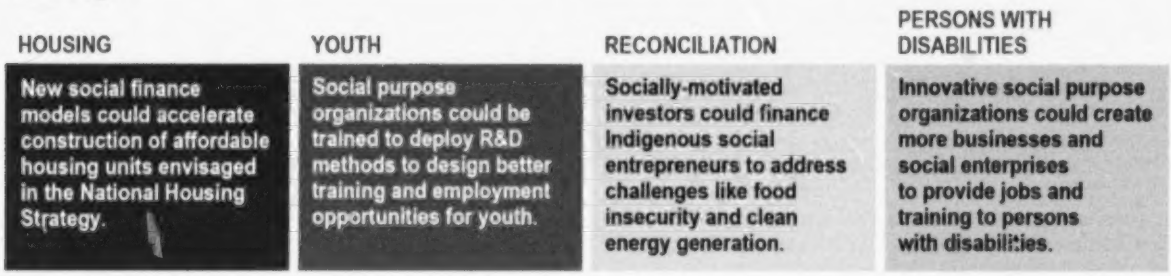
A Strategy that delivers results for Canadians

When acted upon together, the recommendations will result in real progress toward the Sustainable Development Goals — the set of 17 targets which our country has committed to under the United Nations' 2030 Agenda for Sustainable Development.

The experience of other countries demonstrates the progress that is possible. In the United States, a study found that 300 social finance intermediaries alone created 63,000 permanent jobs, developed or preserved almost 160,000 units of affordable rental housing, and created almost 32,000 child care spaces for **people with low incomes in vulnerable circumstances** over 10 years.[1] The United Kingdom's £400 million investment into social finance leveraged over £666 million in private and philanthropic capital, and led to over £1.1 billion in capital being made available to social purpose organizations working to improve outcomes in areas like youth employment, renewable energy, and refugee resettlement.[2]

This is what increased capacity for social innovation and social finance would deliver: new tools, approaches and resources mobilized to make progress on persistent challenges facing communities.

Figure 2. Social innovation and social finance approaches addressing persistent community challenges


HOUSING
New social finance models could accelerate construction of affordable housing units envisaged in the National Housing Strategy.
YOUTH
Social purpose organizations could be trained to deploy R&D methods to design better training and employment opportunities for youth.
RECONCILIATION
Socially-motivated investors could finance Indigenous social entrepreneurs to address challenges like food insecurity and clean energy generation.
PERSONS WITH DISABILITIES
Innovative social purpose organizations could create more businesses and social enterprises to provide jobs and training to persons with disabilities.

While the way forward is clear, the journey will be challenging

The way in which these recommendations are implemented is as important as their content.

In implementing the Strategy, the Government of Canada must leverage the work that is already taking place across all sectors and regions in Canada. Different groupings, including the co-operative, social economy, social enterprise and community economic development movements, are key drivers of social innovation and social finance across the country. The Strategy must build on and accelerate these achievements, not reinvent them.

Government must level the playing field by broadening its understanding of innovation beyond business and technology. It must acknowledge the important contribution that charities, non-profits and co-operatives and mutuals make to Canadian society, including through innovation. It must breach the perceived walls between the structures and motivations of the charitable and non-profit, private, and public sectors. Cross-sectoral partnerships are essential for the type of systems change we hope to create.

We believe in the potential of social innovation and social finance to give meaningful effect to the Government's commitments to reconciliation with First Nations, Inuit and Métis peoples - but Indigenous social innovation and social finance must be Indigenous-led. Our recommendations recognize that Indigenous communities must be engaged in the design of and benefit from measures resulting from the Strategy. As well, the Government should commit to engaging Indigenous organizations in supporting and partnering in Indigenous-led processes on social innovation and social finance, at a pace determined by Indigenous communities and under the guidance of community leaders.

For the Strategy to succeed, it is imperative that it be implemented in a genuinely integrated, whole-of-government fashion involving all of the relevant federal departments and agencies.

The federal government has a once-in-a-generation chance to rethink its approach to today's most complex challenges, equipping communities with the new tools and knowledge they need to achieve better social, economic and environmental outcomes. Now is the time for the Government to step up and demonstrate its support for social innovation and social finance. With smart investments, our communities are poised to realize their aspirations for a more inclusive, prosperous, and sustainable future.

1. Introduction

Canada is a nation of innovators. From Indigenous peoples whose societies flourished because of their interdependent culture and ingenuity, to the credit unions established at the turn of the twentieth century to bring prosperity to their regions, and to the first networks of volunteers and donors that emerged during World War I to raise funds for their communities, our country has a strong tradition of innovating for social and environmental purposes.

Today, more than ever before, we need to draw on this innovative spirit. The complex social, economic and environmental challenges facing our country — homelessness, climate change, youth employment, and the opioid crisis — demand creativity and transformative solutions. If we are to create better outcomes across the country, we need to work differently.

Figure 3. Pressing social and environmental challenges facing Canada's communities

A 2017 report by the Brookings Institution concluded that Canada was "not yet wholly on-track" to meet any of the 17 Sustainable Development Goals it committed to under the United Nations Sustainable Development Agenda.[3] Official statistics indicate that, among many other challenges:

- Over 3 million Canadians families live in poverty, with some groups, including single parents, recent immigrants, Indigenous people living off reserve and people with disabilities, facing much higher rates of low income on average[4];
- Almost 750,000 Canadians live in a family where the main income earner meets the definition of working poor[5];
- 570,000 Canadians are without reliable access to safe drinking water[6]; and
- Total greenhouse gas emissions were only reduced by 2 percent between 2005 and 2015.[7]

Canada has what it takes to solve problems like these: bright ideas and talented, diverse people with the desire to build a more inclusive society. All across our country, communities are leveraging these assets to tackle social and environmental challenges, with many already having achieved inspiring results. What we need now is an ambitious plan to help all communities build on their strengths and unlock their innovative spirit. The social and environmental challenges they face will not wait; neither can we.

It is time for a Canadian Social Innovation and Social Finance Strategy

In June of 2017, the Government of Canada appointed us, a diverse group of seventeen individuals, to a steering group with the mandate to guide the development of a Social Innovation and Social Finance Strategy for Canada. Today, following a year-long process, we are advancing recommendations for the Government to consider as it delivers on its commitment. We believe that now is the time for the Government to step up and invest in communities so that, together, we can deliver better social and environmental outcomes for Canadians.

Social innovation and social finance are needed to make progress on the complex problems facing the country. **Social innovation** refers to new ideas which, when adopted, improve a community's well-being. As commonplace as they now seem, universal health care and curbside recycling began as social innovations and have transformed systems of the past. Recent innovations like microfinance, fair trade and safe injection sites are disrupting systems of today. **Social finance** refers to the practice of making investments intended to create social or environmental impact, in addition to financial returns. Social finance is a key source of financial support for developing and scaling social innovation. Simply put, social innovation is innovating for social and environmental good, often through the support of social finance. It is through this kind of innovation that we make our communities, country and world more inclusive and sustainable.

The Government of Canada has a critical role to play in supporting social innovation

From coast to coast to coast, individuals and organizations across all sectors are forming networks of relationships, or *ecosystems*, where they work together to make their communities more inclusive and sustainable places through social innovation and social finance. Consider, for example, a partnership between social service and government agencies who share their data to reduce child poverty. Or, the philanthropic and private sectors working together to prevent high blood pressure among seniors or to improve outcomes for Canadians facing employment barriers. Through their collective efforts, these ecosystems, and many others like them, are using social innovation and social finance practices to improve our country.

Figure 4. Social innovation creating better outcomes in Prince Albert, Saskatchewan

In 2010, the city of Prince Albert, Saskatchewan, was experiencing a rise in crime rates as well as ballooning policing and incarceration budgets. "It was clear that we were not going to arrest our way out of our problems," says Dale McFee, who was police chief at the time.[8]

The Prince Albert community mobilized to find a different way of working, drawing inspiration from the experience of Scotland. The solution was the Hub Model for Community Safety: police and social service agencies joining up efforts and data to provide integrated support to individuals and families with elevated risk factors. In implementing this model, the partners made sure to provide their services in a way that destigmatized poverty, mental health and addictions issues.

Three years after introducing the model to Prince Albert in 2011, **crimes had dropped by 37%, resulting in an estimated $3.2 million in cost savings**.[9] Since then, the "Saskatchewan Model," a social innovation, has spread to 16 other municipalities and regions in the province, and to another 65 across Canada and the United States. The experience of Prince Albert illustrates what can be achieved when partners collaborate across silos and leverage new tools to address a persistent social challenge.

The Government of Canada's role is to support these ecosystems by using the key levers at its disposal. The federal government establishes the legal and regulatory environment in which charities and many businesses operate. It delivers billions of dollars in grants and contributions, the terms and conditions of which dictate to what extent they can be used in innovative ways. It has the ability to stimulate private investment and drive market demand through its purchasing decisions. It supports academic research and publishes vital statistics. It can act as a national convenor to help innovators in different parts of the country learn from each other and expand the reach of ideas that have been proven effective elsewhere. And crucially, it has the ability to make strategic investments across federal programs to foster innovation for social good.

The Government must first level the playing field for social innovation

Recently, the Government of Canada announced unprecedented investments to streamline innovation supports for the private sector. While these investments in business and technological innovation may have a positive impact on the economy as a whole, they will not address enduring socio-economic challenges such as chronic homelessness, child poverty and income inequality. Investments in technological innovation without commensurate support for social innovation are not only a missed opportunity, they also create risks for society. Economic growth, unbalanced by social advances, risks heightening inequality and environmental degradation.

We need a different approach to these challenges. The Government must broaden its understanding of innovation beyond business and technology and make similar strategic investments to support innovation for social and environmental purposes.

Our call for a level playing field is guided by the belief that Canada will not make meaningful progress on the deeply entrenched social and environmental issues we face solely by using traditional tools and approaches. Government will always have a role to play in providing and enhancing existing public services. Growing pressures on government budgets further require us to develop creative solutions to maximize the impact of public investments.

We cannot solve our most pressing problems without partnering across sectors

Delivering a more inclusive vision of innovation means inviting all sectors to the table.

Government must acknowledge the important contribution that the charitable and non-profit sector, co-operatives and mutuals make to Canadian society. Not only do they provide essential services that improve the quality of life for Canadians — they also innovate and make significant economic contributions. These sectors are essential partners of the Government, not just delivery agents, and should be acknowledged and invested in as such.

The private sector is also part of this conversation. Never before have leaders of major corporations taken such significant public stands on the need for companies to make positive contributions to society. While cross-sectoral collaboration is essential for the type of systems change we aspire to set in motion, we are conscious of competing interests and motivations and must ensure the public good is at the centre of our efforts. This is necessary to ensure that communities benefit from the private sector's growing imperative for the private sector be part of the solution.

Governments must create a cultural shift within their organizations. Instead of continuing to focus on short-term grant programs that are only capable of targeting one symptom of a more complex issue, they must work to develop scalable solutions, capable of addressing the root of the problem.

They must breach the perceived walls between the structures and motivations of the charitable and non-profit and private sectors, and partner with organizations advancing social and environmental missions, regardless of their corporate structure.

An opportunity for Canada to lead on the global stage

Canada has much to learn from its international peers on the role that national governments can play to stimulate innovation for better social and environmental outcomes in communities. Canada also has lessons to share about its early experiences in this space.

Figure 5. The global movement to grow social innovation and social finance

Governments and international organizations around the world have begun making ambitious investments to strengthen communities through support for social innovation and social finance.

In 2012, the UK government committed over £400 million from unclaimed cash left dormant in bank accounts to capitalize Big Society Capital (BSC), the world's first social finance wholesaler. Since that time, BSC has committed over £434 million and leveraged over £666 million in private capital for social finance, and, thereby, made over £1.1 billion in capital available to social purpose organizations.[10] BSC is one of a number of measures the UK government has instituted to stimulate social finance, including seed funding for social finance funds, the establishment of capacity-building intermediaries, and the creation of the Social Investment Tax Relief.

The institutions of the European Union have also made social innovation and social finance a priority. The European Commission has integrated social innovation into the flagship initiatives and funding parameters of Europe 2020, its 10-year strategy to advance the continent's economy through smart, sustainable and inclusive growth. Key initiatives resulting from these efforts include the creation of a network of social innovation organizations across Europe and the establishment of the Social Impact Accelerator, a €243 million social finance wholesale fund.

In 2017, South Korea launched a task force and created a permanent body to advise its government on policies to stimulate social innovation across ministries, with a focus on citizen engagement and the use of new technology. The national government has also announced the creation of social finance fund, capitalized with 300 billion South Korean won sourced from dormant bank accounts, following the British experience. Credit enhancement measures to further accelerate the growth of social finance have also been proposed.

Other governments, including Spain (2011), Belgium (2012), Mexico (2012), Portugal (2013), France (2014), Thailand (2016), and Tunisia (2018), as well as Québec (2013), have enacted national legislation to recognize and promote social purpose organizations. While these laws respond to the circumstances and terminology of each jurisdiction, they have each recognized social purpose organizations as key drivers of social innovation and inclusive growth.

The Strategy is an opportunity for Canada to take its place as a leader in social innovation. It is also an opportunity for Canada to demonstrate leadership and meet its commitments under the United Nations Sustainable Development Agenda, a global framework of action encompassing 17 goals aimed at eradicating poverty and building a healthy planet.

Indigenous social innovation and social finance must be Indigenous-led

We met with Indigenous groups and individuals from across Canada to seek their perspectives on the development of the Strategy. Throughout these conversations, we learned of successful examples of social innovation in Indigenous communities. The First Nations, Inuit and Métis community practitioners we spoke with expressed cautious optimism for the potential of social innovation and social finance practices to create better social and environmental outcomes in the areas they identify as priorities, and to promote capacity-building and knowledge transfer in Indigenous communities. We were also told the language of social innovation and social finance does not always resonate with the approaches that are used in communities. Practitioners identified a need to adapt the language of social innovation and social finance to Indigenous cultural perspectives, working with communities at their own pace. We heard that certain aspects of social innovation and social finance, notably, the potential for an increased role for private and philanthropic capital, pose risks for Indigenous communities. We were reminded that the Government has committed to a renewed, Nation-to-Nation, government-to-government, and Inuit-Crown relationship based on the recognition of Indigenous peoples' right to self-determination, self-government and nation-building.

Indigenous participants asserted that Indigenous communities must be engaged in the design of and benefit from measures resulting from this Strategy. This is needed particularly in the areas of building capacity and skills, funding and capital, and knowledge sharing and mobilization. As well, the Government should commit to engaging Indigenous communities and organizations in supporting and partnering in Indigenous-led processes on social innovation and social finance, at a pace determined by them.

Our recommendations

This report lays out recommendations to equip communities with the tools and knowledge they need to achieve better social, economic and environmental outcomes.

These recommendations were informed by a large-scale consultation process undertaken in the fall of 2017, which involved more than 60 in-person engagement sessions, two online processes, and outreach to over 15,000 Canadians and more than 400 expert stakeholders, as well as an analysis of the activities currently under way through the support of municipal, provincial and territorial governments.

The way in which these recommendations are implemented will be as important as their content. They are intended to be acted on together to create a cohesive set of supports for communities. Social innovation and social finance are powerful tools for advancing diversity and inclusion. To ensure this potential is fully realized, those with lived experience of poverty, women, official language minority communities, immigrants, refugees, visible minorities, persons with disabilities, seniors, and youth, among other groups, need to be actively involved in the implementation. It is also imperative that the Strategy entails a whole-of-government response that builds on and reinforces existing social innovation and social finance ecosystems across Canada.

Figure 6. Social innovation and social finance advancing gender equality

Women are the driving force behind many of the sectors and movements leading social innovation and social finance in Canada. Women make up approximately 75% of the workforce and hold 71% of the management positions in Canada's charitable and non-profit sector.[11] They also represent 71% of the sector's workforce and hold 59% of management positions as well as 50% of board of director positions in Québec's social economy.[12]

One recent study highlighted how women play an active role in the creation and expansion of social purpose organizations that generate revenue, which is not always the case in the private sector. A participant in the study noted how "in choosing to become an entrepreneur, there is a question of values (...) there is the idea of offering something to our community (...) of contribut[ing] to the development of our region, not only economically but also socially."

Some of the women working in these sectors still experience severe gender wage gaps and face broader challenges related to the value that society assigns to their work. A more inclusive vision of innovation would do much to alleviate these inequities.

Our vision is for a better future for Canada, where healthy and sustainable communities thrive; where individuals, especially those in vulnerable circumstances, have access to good jobs, and to safe, affordable housing; a future characterized by reconciliation with Indigenous peoples, dynamic official language minority communities, vibrant diversity, and social and economic inclusion. It has been a privilege to connect with innovators from all thirteen provinces and territories who are working hard to realize this future. These individuals and organizations have already achieved much under considerable constraints. As you read the many examples of social innovation found throughout this report, we urge you to imagine what more could be achieved with the federal government taking its place as a decisive and supportive partner.

2. What are social innovation and social finance?

Defining social innovation and social finance

The concepts of social innovation and social finance will be new to many. For others, they are new names for old approaches. Far from being abstract, however, the terms refer to tangible and measurable activities that improve social and environmental outcomes — whether it is through services touching the lives of people in vulnerable situations, capital being invested in community projects, or goods being sustainably sold and bought. We believe these terms yield important insights on challenges and opportunities facing Canada, just as words such as "sustainability" and "reconciliation" did when they were first introduced.

Social innovation

Figure 7. Definition of social innovation

Social innovation	**Refers to a response to a social or environmental problem (including everything from a program or a service to different ways of structuring organizations) which, once adopted, results in better outcomes than existing approaches. Social innovations have a transformative impact, delivering improvements across organizations, communities, regions, or systems.**

Canadians understand the value of commercial and technological innovations and their role in driving productivity improvements in the economy. Social innovation is a similar concept in that it denotes the application of new ideas, methods and practices which create social, rather than strictly commercial value. Social innovation ranges from new ways of designing community services to different methods for organizations to work together, and everything in between. Figure 8, illustrates how social innovation comes in different shapes and sizes.

Figure 8. Different types of social innovation Social innovation can include:

- **New programs, services, or intervention models:** Social service agencies across Canada are revamping the way they work, increasing their use of data, collaborating with new partners including private businesses, and focusing on prevention in order to achieve better results. These types of approaches were used to develop Roots of Empathy, for example, a classroom program created in Ontario and now delivered around the world which has been proven to boost empathy and strives to break the intergenerational cycles of violence and poor parenting.
- **Creative processes or practices:** Social innovation labs are spaces, sometimes housed in governments or post-secondary institutions, where individuals and organizations come together to collaborate on complex challenges, often through the use of specific techniques such as design thinking and behavioural insights. The Energy Futures Lab, for example, is convened by The Natural Step Canada, in collaboration with Suncor Energy, the Banff Centre, the Pembina Institute and the Government of Alberta. With the involvement of over 70 organizations, it brings together innovators and influencers to collectively address current and future energy challenges in Alberta.
- **Innovative partnership or organizational structures:** Shared platforms are an innovation in charitable and non-profit governance that have the potential to create positive impact in communities. Shared platforms are corporate entities established to provide a legal home and common supports to unincorporated community projects, which may be struggling to get off the ground due to the legal and reporting requirements of creating a stand-alone charity. Shared platforms make it easier for innovative projects to launch, support local leadership, encourage risk-taking and help build capacity in communities. Tides Canada's shared platform, for instance, is home to over 50 unique projects building community-led solutions to a range of complex challenges, including the development of environmental conservation and stewardship initiatives and of local, sustainable and safe food systems.

Social innovation is about more than service improvement. For a new program, a redesigned service, or a new partnership between organizations to be considered social innovation, it must have a transformative impact for the organization, community or region that adopts it. In this way, social innovation has the potential to disrupt entire systems for the better. Social innovation matters because it leads to measurable progress on the complex social and environmental challenges facing communities. Just as we do with technological innovation, we should ensure that the right conditions are in place to promote social innovation in communities.

Figure 9. Systems chang[illegible]rough social innovation

The **Winnipeg Boldness Project** is a research and development project aiming to improve early childhood development outcomes in the Point Douglas neighbourhood of Winnipeg. By using a social innovation tool called a social lab, Winnipeg Boldness is working to create systems change by bringing together community leaders, businesses, and residents to co-create solutions that are then tested with the help of neighbourhood families. The project seeks out opportunities for replication and scaling of successful ideas in order to permanently embed these solutions in the community and effect large scale change. The project is funded primarily by the Government of Manitoba and the McConnell Foundation, with additional support from United Way of Winnipeg and the Richardson Foundation.

The Fédération interprofessionnelle de la santé du Québec (FIQ) is a union representing 75,000 nursing and cardiorespiratory care professionals in Quebec. It supports pilot projects to test innovative models of health care delivery that address complex social challenges. For example, the FIQ supported Québec City's Coopérative de solidarité SABSA, which developed a nurse-led model to provide outreach and community health care services to people living in disadvantaged neighbourhoods, and **vulnerable and marginalized situations**. The effectiveness of this model has since been recognized, and SABSA has entered into a formal partnership with the Quebec Ministère de la Santé et des Services sociaux.

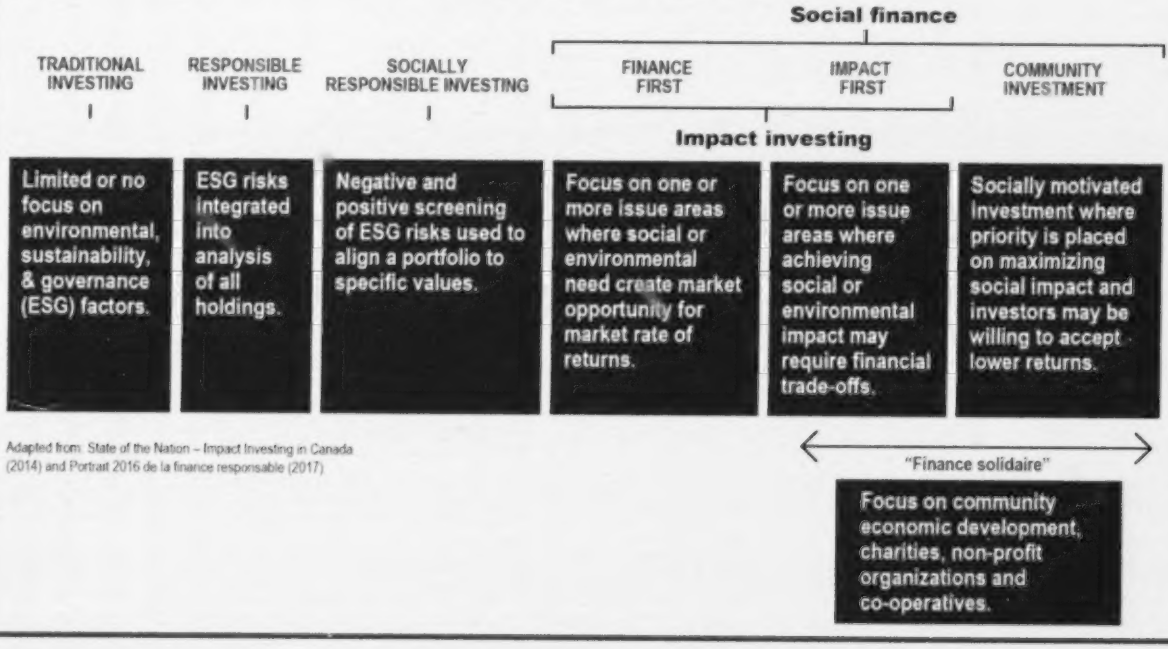
Social finance

Figure 10. Definition of social finance

Social finance	**Refers to investments intended to create a measurable social or environmental impact as well as to generate financial returns.**

Social finance differs from responsible investing in that those making and receiving social finance investments intend to create tangible social and environmental impacts through their activities. Figure 11, illustrates the relationship between different forms of investment, including social finance, impact investing and responsible investing.

Figure 11. Social finance relative to other forms of investment


Social finance
TRADITIONAL INVESTING
RESPONSIBLE INVESTING
SOCIALLY RESPONSIBLE INVESTING
FINANCE FIRST
IMPACT FIRST
COMMUNITY INVESTMENT
Impact investing
Limited or no focus on environmental, sustainability, & governance (ESG) factors.
ESG risks integrated into analysis of all holdings.
Negative and positive screening of ESG risks used to align a portfolio to specific values.
Focus on one or more issue areas where social or environmental need create market opportunity for market rate of returns.
Focus on one or more issue areas where achieving social or environmental impact may require financial trade-offs.
Socially motivated investment where priority is placed on maximizing social impact and investors may be willing to accept lower returns.
Adapted from: State of the Nation – Impact Investing in Canada (2014) and Portrait 2016 de la finance responsable (2017)
"Finance solidaire"
Focus on community economic development, charities, non-profit organizations and co-operatives.

Canada's social finance market is diverse, with different organizations pursuing different priorities across a broad continuum. There are social finance investors who seek to achieve market rates of return while creating social or environmental impact. Others are ready to accept lower returns in order to maximize their social or environmental impacts, seeking to deploy investments as tools to create positive impact in communities. Some intermediaries create social finance funds or products that straddle the continuum of investment presented in Figure 11, using "capital stacks" to allow different classes of investors to participate in the same fund or project. A common thread runs across this diverse continuum: the power of finance is being harnessed to intentionally deliver social and environmental value.

Figure 12. A broad spectrum of social finance tools, products and investment projects

A variety of financial tools are used to make social finance investments, ranging from private debt, to private and public equity, to bond-like instruments and outcomes-based funding mechanisms such as social impact bonds. Examples include, but are not limited to:

- Investment funds, whether independent or created by financial institutions, making debt or equity investments into social purpose organizations. The **Réseau d'investissement social du Québec**, for example, has invested over $28 million into 841 social economy enterprises since it was created in 1997, creating and maintaining nearly 10,000 jobs in sectors as varied as retail, food services and health care. **Rhiza Capital**, based in British Columbia, deploys common and preferred equity capital to invest in business ventures pursuing multiple bottom lines (e.g. economic, social, cultural and environmental) and to support new and growing social entrepreneurs across Canada.
- Social finance intermediaries making bonds or bond-like instruments available to retail investors. **CoPower**, for instance, is an investment platform which makes Green Bonds available to Canadian investors of all sizes. CoPower's Green Bonds finance a diverse range of clean energy and energy efficiency opportunities, including solar, condo retrofit, residential geothermal projects across Canada. In Toronto, the **Centre for Social Innovation** issued a community bond which financed the purchase of a new 64,000 sq. ft. building, thanks to the support of 227 investors.
- Common or preferred shares issued to retail investors by co-operatives, such as the **Peace Energy Cooperative**, which helped finance the construction of a 102-megawatt wind park on Bear Mountain (British Columbia).
- Private investors, governments and service delivery organizations partnering through social impact bonds (SIBs). SIBs are contractual arrangements under which investors agree to fund the upfront delivery of a project and a funder, typically government, commits to reimbursing the investor if the project achieves pre-negotiated performance targets. SIBs' pay-for-performance approach can promote innovation in service delivery and generate cost savings for governments, but also elicit strong opposition among some stakeholders. The first SIB in Canada, the **Sweet Dreams Project**, was launched in 2014 and involved EGADZ, a service delivery organization, the government of Saskatchewan, as well as the Conexus Credit Union and Wally and Colleen Mah as private investors. The Sweet Dreams project's five year goal is to keep 22 Saskatoon children out of foster care.

The social finance market brings together three types of actors:

- **Demand-side actors** seeking investment, such as charities and non-profit organizations, co-operatives and mutuals, and private businesses advancing a social or environmental mission;
- **Supply-side actors** seeking to create social impact, or investors, including foundations, institutional investors such as pension funds, and retail investors such as Canadian households seeking to create social and environmental impact through their savings; and
- **Intermediaries** who connect demand with supply, including financial intermediaries such as community loan funds, credit unions, Aboriginal Financial Institutions, and chartered banks.

Figure 13. The size of the social finance market in Canada

Estimates of the size of Canada's social finance market are based on surveys which likely capture a number of socially responsible investing assets that would not meet the definition of social finance advanced in this report (see Figure 11). However, they are indicative of the level of investor interest in mobilizing their capital in ways which reach communities:

- Supply-side and product-based market estimates identified between **$1.6 billion and $2.2 billion** social finance assets under management in 2012.[13] This compares to an estimated $600 billion in responsible investing assets identified in Canada in the same year (an amount which had increased to $1.5 trillion by the end of 2015).[14]
- The Responsible Investment Association has also estimated that there were **$9.3 billion** in social finance assets under management in Canada by the end of 2015.[15]
- A 2016 report identified **$812 million** in "finance solidaire" assets under management in Québec alone.[16] This estimate can help contextualize the earlier estimates in terms of the portion of the assets under management directed to impact-first or community investment (see Figure 11) at the national level, though it should be noted that the social finance market in Québec has benefited from provincial government support.

Social finance has the potential to put billions of dollars in private and philanthropic capital to work on social and environmental issues and, in doing so, to create new sources of revenue for organizations to develop and scale projects that improve community well-being. Social finance is itself a social innovation, as it can reshape financial markets to harness the power of capital to deliver social outcomes, and also acts as a key source of financial support for developing and scaling social innovation in Canada.

Figure 14. A range of approaches to social finance across the risk/return spectrum

In 2016, the Responsible Investment Association surveyed 87 intermediaries and investors active in Canada's social finance market and found that **65% target competitive returns at or above market rate.**[17] Of this group, **96% said that their investment's performance either met or exceeded their expectations**. Risk concerns, performance concerns, and a lack of viable investment projects were the top three factors identified by investors as barriers to additional investment.

Who is involved?

One of the key principles underpinning our recommendations is that no one sector or organization can solve complex social or environmental problems on their own — everyone has a role to play in creating better outcomes in their communities. The power of social innovation and social finance is that it brings together individuals and organizations across the charitable and non-profit, private and public sectors to co-create better solutions for the challenges that matter to communities.

Different groupings, including the co-operative, social economy, social enterprise and community economic development movements, are key drivers of social innovation and social finance in various regions of the country. The individuals and organizations that participate in these movements, which are not mutually exclusive, have often been at the forefront of efforts to address social, economic and environmental challenges facing Canada's communities. We respect the existing work taking place in regions as well as their choice and use of the specific terms and concepts that reflect their own communities, needs and priorities. The recommendations advanced in this report, if implemented, will help these movements come together and expand the reach and impact of their success.

Figure 15. Movements and networks practicing social innovation in Canada and abroad

- **Co-operatives and mutuals:** Co-operatives are autonomous associations of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Around 18 million Canadians are members of approximately 9,000 non-financial co-operatives and/or mutuals.[18] In 2017, credit unions outside of Québec reported combined consolidated assets of $223.7 billion.[19] Early co-operative movements in Québec, Nova Scotia, and the Prairies were forerunners in social innovation and social finance and continue to make enormous contributions to their communities.
- **Charitable and non-profit sector:** There are an estimated 170,000 charities and non-profits in Canada that employ two million people and contribute over 8% to Canada's GDP.[20] Because these organizations are established for public rather than private benefit — serving their communities in areas such as health, arts and culture, recreation, social services, and environment — they have been natural adopters of social innovation and social finance practices.
- **Community economic development (CED):** The CED movement includes a diverse range of organizations and people throughout Canada committed to strengthening communities by creating economic opportunities that enhance social and environmental conditions, particularly for those who are most disadvantaged. As an approach, CED recognizes that economic, environmental and social challenges are interdependent, complex and ever-changing. It also believes solutions should be rooted in local communities.
- **The social economy:** The social economy encompasses all of the economic activities carried out by charities, non-profit organizations, co-operatives and mutuals following key principles, including a mission to serve members or advance a social goal, rather than to generate profit; democratic governance by members; and independence from government. The social economy in Québec represents more than 7,000 organizations which generate approximately $40 billion in revenue and account for 215,000 jobs.[21]
- **Social enterprise:** Different regions and communities within Canada use similar, yet distinct definitions of social enterprise. A key definition in use across the country refers to a business, whether not-for-profit or for-profit, that pursues a social, cultural or environmental mission through the sale of goods and services, with the majority of net profits directed back to its mission, and with limited distribution to shareholders and owners. The Social Enterprise Sector Survey identified 7,000 non-profit owned or operated social enterprises in Canada in 2014 (excluding Québec).[22] The survey respondents reported generating $1.2 billion in revenues and providing an estimated 15,000 full-time equivalent employees.

Our recommendations are also intended to enable new forms of partnership across sectors, including the private and public sectors. There is increasing interest in the private sector to participate more actively in initiatives to improve outcomes in communities. This can be seen in the rise of businesses declaring a social or environmental mission, sometimes called social purpose businesses or socially responsible businesses. It can also be seen in the increasing number of corporations going beyond traditional forms of corporate social responsibility to incorporate social and environmental considerations in the way they do business. Likewise, public sector organizations at all levels are testing new tools and techniques, both to stimulate social innovation in communities and to increase their ability to partner across organizational silos.

Except when specific sectors must be named to clarify recommendations, this document will use the terms **"social purpose organizations"** and **"those engaged in social purpose work"** in order to improve ease of reading and to respect regional and sector-based preferences in terminology. However, we are aware that these terms may have technical limitations, and we recommend that the proposed Social Innovation Council (see recommendation #2) be consulted before they are used in federal legislation, policy, programming or official communications moving forward.

Figure 16. Definitions

Social purpose organizations	The entire spectrum of organizations with a mission to advance social or environmental aims. Social purpose organizations straddle the charitable and non-profit sector (including registered charities, incorporated non-profit organizations and non-profit co-operatives), the private sector (including market sector co-operatives and private businesses advancing a social or environmental mission) and hybrid entities such as Community Contribution Companies and Community Interest Companies, found in British Columbia and Nova Scotia respectively.
Those engaged in social purpose work	This term captures both individuals leading or participating in projects seeking to create better social or environmental outcomes, including social entrepreneurs, volunteers, and government officials; as well as organizations, such as private corporations and government agencies, whose primary mission is not necessarily to address a social or environmental issue, but who are participating in a social innovation or social finance initiative or project.

3. Canada's social innovation and social finance ecosystems: achievements and challenges

Across Canada, social purpose organizations from different sectors of society are coming together and forming "ecosystems" by pooling their resources, launching collaborative ventures, and sharing skills and knowledge in order to strengthen their communities. Some of these ecosystems involve the use of a particular tool or approach, such as social finance or social enterprise; some focus on improving social and economic outcomes in a particular community, region or province; others bring together social purpose organizations working on the same persistent social or environmental issue across the country.

Figure 17. Québec's social economy ecosystem

The social economy is a socioeconomic driver in Quebec. Diversified networks of organizations and individuals support growth and promote the sector's contribution to community development. Its ecosystem is based on consultation and representation bodies that coordinate the efforts of various components, including the following:

- **National coordination:** The Chantier de l'économie sociale and the Conseil québécois de la coopération et de la mutualité (CQCM) coordinate and represent governance structures bringing together ecosystem stakeholders. For this reason, Quebec's *Social Economy Act*, a framework law passed in 2013, recognizes the Chantier de l'économie sociale and the CQCM as "primary interlocutors" of the Government of Quebec.
- **Research and knowledge transfer:** Organizations such as the Centre de recherche sur les innovations sociales (CRISES) and Territoires innovants en économie sociale et solidaire (TIESS) work in co-operation with institutions of higher learning and social economy support networks throughout Quebec. These collaborations build on the success of the community-university research alliances (CURAs), namely the CURA on the Social Economy (2000-2010) and the CURA on Territorial Development and Cooperation (2008-2012).
- **Capacity-building:** Sectoral networks (operating in sectors as diverse as forestry, housing, and home care), local community economic development organizations, specialized consulting firms and municipalities provide business development services to social economy enterprises.
- **Labour force development:** A sectoral council for the social economy, le Comité sectoriel de main-d'oeuvre pour l'économie sociale et l'action communautaire, works alongside many undergraduate and graduate programs in colleges and universities to provide specialized training for workers, managers and boards of directors of social economy enterprises.
- **Financing:** CAP Finance is a network of financial institutions working together to promote and develop solidarity finance and development capital in Quebec among stakeholders and the general public. CAP Finance is unique in the complementarity of its financial institutions and its desire to adopt socially responsible financial practices. In addition to developing the expertise of its professionals, CAP Finance plays a key role in Quebec's solidarity finance ecosystem, since it includes a wide range of actors operating in all regions and in all types of investment in the sector.

Today, Quebec's social economy is supported by more than 7,000 collectively owned and managed organizations that generate approximately $40 billion in revenues and 215,000 jobs.

These ecosystems did not arise by accident. Just as conventional businesses need certain conditions in place in order to become profitable, such as a favourable regulatory regime and a predictable investment environment, social purpose organizations require the right conditions and supports to stimulate innovation. The conditions required to support social innovation and social finance ecosystems are encompassed by six interconnected areas for action:

1. Skills and capacity to equip social purpose organizations and those engaged in social purpose work with the knowledge and resources to adopt social innovation and social finance;
2. Funding and capital opportunities so that social purpose organizations and those engaged in social purpose work have the financial resources to develop, test, adopt, and grow innovative solutions to social, economic and environmental problems;
3. Market access for social purpose organizations to be able to find buyers for their goods and services;
4. An enabling policy and regulatory environment that creates the conditions for social innovation, social finance and social purpose organizations to flourish;
5. Evidence and knowledge sharing to enable social purpose organizations and funders to collaborate based on what works, develop better goods and services, scale their impact and evaluate progress; and
6. Awareness and mobilization efforts to spur interest and build support for the growth of social innovation and social finance approaches.

These components need to work together to create ecosystems that encourage innovation and maximize its reach and impact. For example, social purpose organizations must have the skills and be able to access the data to make the most of funding intended to help them innovate. Social finance investors will only find investment opportunities if the legal and regulatory environment permits social purpose organizations to generate revenue or if markets exist for them to sell their goods and services.

Many ecosystems are currently working well and creating tangible benefits in their communities. However, we heard through our consultations that even in these successful ecosystems, there are significant gaps and unrealized opportunities across each of the six areas for action. It is the Government of Canada's role to address these gaps and pursue an integrated approach in support of existing ecosystems.

The remainder of this section outlines the opportunities and challenges facing social purpose organizations under each of the six areas for action.

3.1. Capacity and Skills

Those engaged in social purpose work have long demonstrated their specialized knowledge and skills in meeting the needs of the communities they serve. Frontline staff working to tackle poverty and homelessness, for example, apply knowledge in social work, addictions, and mental health to understand the strengths and needs of the populations they support on a daily basis. Other social purpose organizations use their business acumen to generate impressive financial results while serving their communities.

Social purpose organizations must also build on their existing skill sets to take advantage of the opportunities provided by social innovation and social finance. The effective practice of social innovation and social finance requires a unique set of skills that often blends distinct disciplines, including but not limited to science and technology, business and finance, and social work. New methods such as social research and development, design thinking, data analytics, impact measurement and digital literacy are increasingly important skills for social purpose organizations to obtain. In addition to skills development, social purpose organizations also must build their internal capacity. We heard during consultations that organizations seek greater capacity for early stage innovation and experimentation as well as partnership development and knowledge transfer. First Nations, Inuit and Métis community practitioners told us that the capacity and skills gap is particularly acute in the Indigenous context.

Figure 18. Social innovation and social finance require new skills

The field of social research and development (R&D) provides an example of the new types of skills and capacities now needed by social purpose organizations. Social R&D is a field of practice that enables social purpose organizations to discover and prototype new approaches to achieving social impact. It is largely made up of non-profit service delivery organizations that are blending together various bodies of knowledge, including sociology, field research, community economic development, design and technology to test new ideas for improving outcomes in their communities.

InWithForward uses social R&D to work alongside social service providers and people in marginalized situations across Canada and co-develop interventions that result in better outcomes. During one project, InWithForward conducted three-months of deep ethnographic fieldwork, six months of experience prototyping, and a year of beta testing with adults with cognitive disabilities to help address social isolation. The result is Kudoz, a learning platform that connects people with developmental disabilities to novel experiences in their community. One participant, Aaron, learned screenwriting from an actor and comedy writing from a local comedian. He says: "I always wanted to do improv but I never knew how. Now, I'm doing a course and I've had a paid gig!"

Unfortunately, social purpose organizations face significant challenges in building their capacity and skills. Financially overstretched, they struggle to afford training for their staff. In particular, this is a major barrier for organizations operating in rural and remote communities and official language minority communities, both of which rely heavily on volunteers. The alternative is to hire professionals who already hold these skills. However, this does little to build the long term capacity of the organization and is often too expensive, especially to access highly-paid professionals like programmers and designers.

Figure 19. New intermediaries are helping social purpose organizations build capacity to innovate

Through its workshop modules and coaching, **Innoweave** helps social purpose organizations learn about, assess, and implement social innovation and social finance approaches. Their training modules cover a range of issues including: starting a social enterprise, conducting developmental evaluations, engaging in collective impact, and adopting outcomes finance. According to Shawn Bayes, the Executive Director of the Elizabeth Fry Society of Greater Vancouver, "Innoweave gave us fresh eyes and helped us focus more clearly on who we are, what we do, and the systemic changes that are needed. That change helps us speak to funders and donors about what our work is actually accomplishing." Innoweave's operations are funded by the McConnell Foundation. The program also works through funding partnerships with other foundations, provincial governments and several federal departments, including Employment and Social Development Canada.

While a spectrum of tools and supports is emerging across sectors and regional ecosystems to help social purpose organizations develop their capacity and skills, more should be done to complement and build on these efforts. Intermediaries, for example, or organizations that provide support, tools and resources in service of other organizations and innovators, often provide the physical and virtual spaces such as accelerators, labs, and online learning platforms that connect organizations, facilitate collaboration, and foster new skills. But most intermediaries struggle to secure sustainable financing that enables them to reach social purpose organizations at a significant scale.

Figure 20. College and university-led incubators and accelerators help students cultivate new skills

Colleges and universities are emerging as natural crossroads for the many disciplines and fields whose insights are driving social innovation and social entrepreneurship, from business and commerce to health sciences to anthropology and the performing arts. They are helping students across the country develop the skills needed to engage in social innovation and social finance.

The innovators at Ryerson University's **Social Ventures Zone** (SVZ) are addressing some of the world's most pressing social and environmental problems. Supported by co-working space, coaching, training, community connections and their innovative peers, these ventures have addressed issues that range from food waste and urban poverty to northern food security and international development. In the process, the enterprises in the SVZ have raised millions of dollars in seed funding and the SVZ has helped more than 100 entrepreneurs develop their skills and knowledge for working on social challenges.

The **Centre for Changemaking and Social Innovation** at Georgian College brings together faculty, students, and social purpose organizations to respond to complex issues and create positive social change. Its aim is to inspire the next generation of changemakers to use their entrepreneurial skills to make a real change in their communities. This is done through student-led projects, research, workshops, and an innovative curriculum. Georgian is the first college in Canada designated as a changemaker college by Ashoka U, a network of over 40 colleges and universities around the world, for its role as a leader in social innovation in higher education. "Our students think they can change the world, and we do too," says Suzie Addison-Toor, Director of the Centre.

The **Pond-Deshpande Centre** (PDC) at the University of New Brunswick is a member of the global Deshpande Foundation family and a partner with the New Brunswick Social Policy Research Network. The PDC acts as a catalyst to grow and support a stronger culture of innovation and entrepreneurship in the New Brunswick and in the broader region. By combining innovative ideas with deep, relevant, contextual knowledge, the PDC believes that the people in their region will be able to develop sustainable solutions to complex social, environmental and economic challenges as well as to create high impact ventures that do well while also doing good in the region and in the world.

Grants, a major revenue source for most social purpose organizations, rarely allow funding recipients to invest in their own capacity and skills development as it is often considered "overhead" that will not directly reach communities. This applies to many federal grant and contribution programs, whose short-term, project-based funding is ill-equipped to help social purpose organizations build the skills and capacity they need over the longer term to meet the complex challenges they are facing.

The Government of Canada's innovation, business development and skills training supports could support social purpose organizations in their work. But while most of these programs have broad eligibility criteria, research suggests that, in practice, they tend to focus on conventional for-profit businesses and are rarely accessed by or accessible to social purpose organizations.

Figure 21. Survey data on capacity challenges facing social enterprises

- **47%** of non-profit social enterprises surveyed in Ontario in 2015 ranked a lack of internal expertise as their top challenge.[23]
- Only **33%** of social enterprises surveyed in Nova Scotia in 2016 felt they currently had adequate human resources. Expanding business skills of directors and managers ranked second as a priority area for action for respondents (following access to customer markets).[24]

Some federal supports, such as the Canada Small Business Financing Program and the Business Development Bank of Canada, are closed to charitable or non-profit social purpose organizations. And for social purpose organizations that do not generate revenue through the sale of goods and services, there are simply no federal supports available that are comparable to the advisory services, networking and collaboration opportunities, and hiring subsidies offered through the National Research Council's Industrial Research Assistance Program.

3.2. Funding and Capital

Grants and contributions programs

Granting dollars are a significant source of funding for social purpose organizations seeking to test and grow innovations with the potential to deliver better outcomes for communities. Across Canada, more and more governments, foundations and corporations are testing funding practices aimed at fostering innovation in a variety of areas including homelessness, settlement services, and youth employment. The federal government, for example, is currently experimenting with the use of outcomes-based funding, prizes and challenges, and micro-grants. Social impact bonds, a form of outcomes-based funding, have been piloted across the world as a way to leverage private capital for improved social outcomes.

Figure 22. Innovative funding practices building capacity for innovation in communities

The *« Ensemble pour le développement social des communautés francophones et acadiennes du Canada »* initiative is using the intermediary model, an innovative funding practice, to encourage social innovation in official language minority communities across Canada. *« Ensemble »* seeks to create better outcomes for francophone seniors, caregivers, youth and families in vulnerable situations. *« Ensemble »* is supported by Employment and Social Development Canada.

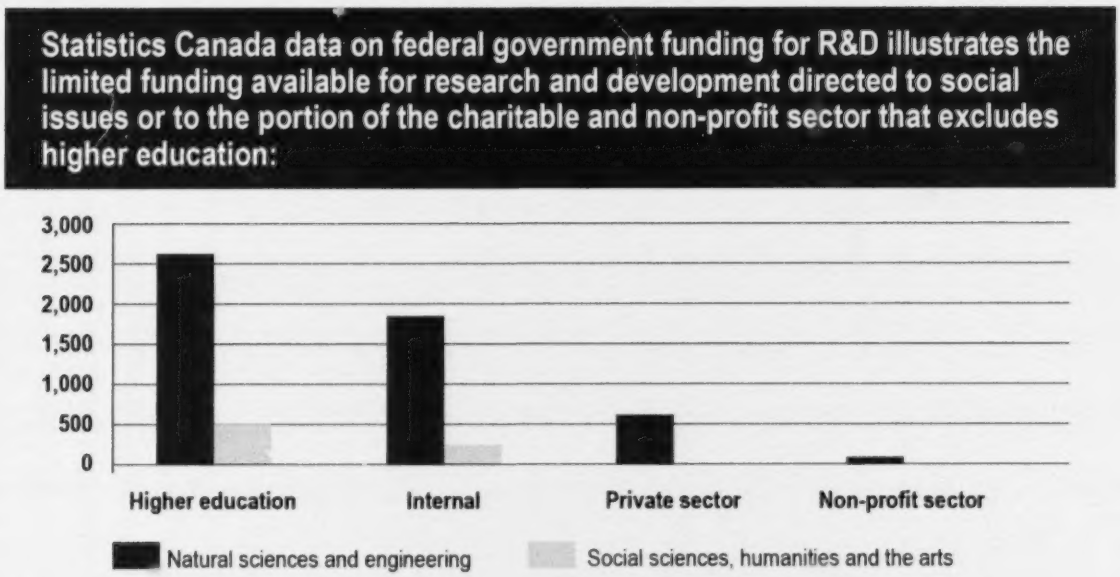
Under this model, the FAAFC (*Fédération des aînées et aînées francophones du Canada*), a federation of 12 associations representing francophone seniors across Canada, acts as an intermediary. Together with its partners the Alliance des femmes de la francophonie canadienne, the Commission nationale des parents francophones, and the Fédération de la jeunesse canadienne-française, the FAAFC is responsible for building capacity, supporting partnership development, and disbursing funding to smaller organizations, who may otherwise find it difficult to access national funding opportunities or to attract private investment.

Since its inception in the autumn of 2016, *« Ensemble »*, comprised of 29 projects, has reached approximately 114,000 francophones across the country, providing a direct service to more than 11,350 citizens in more than 80 francophone communities in Canada. It generated **$3.5 million** in additional investments in its first eighteen months. A similar, equally successful model is under way in English-speaking communities in Québec.

In our consultations, we heard a great deal about how reform in federal government granting practices could do more to stimulate social innovation in communities. We heard that social purpose organizations want to spend more time testing out new ideas to advance their missions than on burdensome application and reporting processes. They want to be able to adjust the terms of their funding agreements as they go, learning from past mistakes and incorporating the experiences of others. They want longer-term funding arrangements that recognize the amount of time and resources required for innovation to occur and its benefits to be realized. They want funding that covers the true cost of their programs, including costs like evaluation, technology, and capacity-building. Organizations want grant and contribution programs that are accessible to rural and remote communities and take into consideration the unique realities of official language minority communities.[25] Many Indigenous groups and individuals we spoke with told us that inflexible funding practices prevent communities from pursuing the solutions they know are needed in their communities.

Ultimately, social purpose organizations desire funding relationships based on mutual trust and respect — relationships that acknowledge the immense contributions made by social purpose organizations every day to help government meet its objectives.

Figure 23. Federal funding for research and development (2017)


Statistics Canada data on federal government funding for R&D illustrates the limited funding available for research and development directed to social issues or to the portion of the charitable and non-profit sector that excludes higher education:
3,000
2,500
2,000
1,500
1,000
500
0
Higher education
Internal
Private sector
Non-profit sector
Natural sciences and engineering
Social sciences, humanities and the arts

Source: Statistics Canada, CANSIM table 358-0001.

The need for reform in government granting practices has long been identified as a priority for grant recipients. In 2006, the Independent Blue Ribbon Panel recommended measures to make the delivery of grant and contribution programs more efficient while ensuring greater accountability. Those recommendations, many around the need to cut red tape, are still relevant today and should be implemented.

Social finance

Social finance is creating new opportunities for social purpose organizations to access repayable capital. It has the potential to redirect vast sums of private and philanthropic capital toward investment projects seeking to generate a positive social or environmental impact. Already, we see many examples of social finance funds and deals creating positive outcomes for communities and financial returns for investors. In our engagement, we learned about the successful track records of Aboriginal Financial Institutions at developmental lending and business development, and heard that an opportunity exists to scale up their impact through an injection of capital.

Figure 24. Examples of Canadian social finance funds

The **Social Enterprise Fund** (SEF) assists Alberta's social enterprises to meet their financing needs. The Jasper Place Wellness Centre (which addresses the needs of one of Edmonton's challenged communities) has used SEF loans to purchase trucks and bins for its junk removal business, equipment for its rapidly growing mattress recycling business and the mortgage to purchase land for a new community food hub.

In Cape Breton, Nova Scotia, **New Dawn Enterprises** has leveraged Community Economic Development Investment Funds (CEDIFs), a provincial program that promotes investment in local communities. This program allows communities, businesses and organizations to raise private funds via a generous provincial tax credit and, in doing so, provides investors with the opportunity to support local, innovative and growth-oriented businesses.

Since 2004, New Dawn's family of CEDIF companies (three companies devoted to raising funds through the CEDIF program) has invested more than $13 million in Cape Breton. Funds have been invested in established and start-up companies headquartered and operating on the Island. Investments have been made in Big Spruce Brewery, Live Ship, Nova Stream, Protocase, Advanced Glazings, Marcato Digital, and Media Spark, among others. For many of these companies, it has been a challenge to secure start-up or expansion capital from capital markets concentrated in central Canada and the US. The funds raised by New Dawn through the CEDIF have offered these businesses a local alternative.

But there are also barriers hampering the growth of social finance in Canada. There is a lack of specialized intermediaries who understand the business models of social purpose organizations and are able to assess their risk profile and help them build their investment readiness. And while investors are interested in social finance, they may be reluctant to commit their capital because limited track record data is available to help them accurately distinguish between real and perceived risks. The result is a market where supply and demand are not meeting each other to full effect, and where some regions are seeing very little social finance activity. Social purpose organizations, especially those that are non-profit, have trouble finding products that meet their needs. In turn, investors are frustrated by the lack of investment-ready opportunities, resulting in billions of dollars that could be used to address pressing social and environmental needs being directed elsewhere.

Figure 25. Impact of government support for social finance in the United States

In the **United States**, a number of federal initiatives have promoted the growth of Community Development Finance Institutions (CDFIs), private financial institutions dedicated to delivering responsible, affordable lending to low-income, low-wealth, and other people and communities in vulnerable circumstances. These initiatives include the *Community Reinvestment Act*, which incentivizes banks to partner with CDFIs as well as a federal CDFI Fund and the New Markets Tax Credit Program. From grassroots beginnings, CDFIs now form a robust sector within the larger financial services industry. Today, there are over 1,000 CDFIs operating across all 50 states, managing over $100 billion in assets. A 2014 study highlighted how a sub-set of 333 CDFIs had created over 63,000 jobs, developed or preserved almost 160,000 units of affordable rental housing, and created almost 32,000 child care spaces over a 10-year period (2003-2012).[26]

Some jurisdictions, both in Canada and abroad, have acted to address similar barriers and catalyze growth in social finance, including through capitalization initiatives, tax incentives, and regulatory measures encouraging or requiring investors and large intermediaries, such as banks, to direct capital into social finance. In 2018, the Standing Senate Committee on Social Affairs, Science and Technology released a report entitled *The Federal Role in a Social Finance Fund*, calling on the Government to learn from the experience of other countries and invest in the creation of a social finance fund.

3.3. Market Access

Social purpose organizations which generate revenue, including social enterprises, contribute to economic growth. These organizations exist in communities across Canada and in almost every economic sector, including consumer goods, food and beverage, management consulting, health care, construction, building maintenance services, renewable energy and affordable housing. In addition to the economic value these organizations provide, they also advance social or environmental objectives that create stronger and healthier communities for Canadians. Many social purpose organizations, for example, support individuals facing multiple barriers to employment by providing them with the employment and training opportunities they need to re-enter the labour market. The revenue generated by enterprising activities helps social purpose organizations improve their financial sustainability in an environment where grant funding and donations are increasingly scarce. It may also be less restrictive than other sources of revenue and can provide social purpose organizations with more flexibility in how they use the funds to meet the needs of their communities.

Figure 26. Social purpose organizations creating social and economic value

Atira Property Management is a social enterprise that provides property management services to developers, building owners, investors and other not-for-profit and co-op housing providers in the Greater Vancouver area. It is a for-profit business, wholly owned by the registered charity Atira Women's Resource Society, a women's anti-violence organization that offers short and long-term housing to women and children affected by violence, as well as ancillary support programs, including but not limited to counselling, legal advocacy, women-only overdose prevention sites, housing outreach and licensed day care. Through Atira Property Management, hundreds of women and men facing significant barriers to employment are able to find jobs. Ernst and Young has conducted two assessments of Atira demonstrating that for every dollar received in revenue to Atira Property Management, $3.69 and $4.13 in overall societal value was created in 2013 and 2016 respectively. As one employee says, "It's not just about getting a pay cheque. It's about trying to go the extra mile in somebody's life to help them out."

STR8 UP is a Saskatoon-based registered charity that offers outreach services, training, programming and support to those who have lived or are living criminal street lifestyles and who want to make a positive change in their lives. In 2017, STR8 UP started STR8 UP Works – a social enterprise that provides STR8 UP members with an opportunity to participate in transitional employment in areas including landscaping, construction and cleaning. All profits from STR8 UP Works help cover the costs of their programming. Jorgina Sunn, a former gang member who now works with STR8 UP tells her story in hopes of helping others. "I am healing. I am feeling healthy. I am doing what I can to look after myself. I'm doing the best that I can."

Located in Charlottetown, **UpStreet Craft Brewing** began as a small business and quickly grew into a popular and important part of the community. It employs local island youth, donates used grain to local farmers for cattle feed, and has donated almost $30,000 to local community groups. In 2016, this for-profit company and certified B-Corp won Startup Canada's Social Enterprise Award for community impact.

Governments and other large purchasers are ideally positioned to help social purpose organizations grow their businesses. The Government of Canada, for example, purchases approximately **$19.8 billion** in goods and services every year on behalf of federal departments and agencies.[27] These purchasing decisions could be leveraged to create greater social and economic value in communities. As the single largest purchaser of Canadian goods and services, the Government has substantial purchasing power. It has the opportunity to act as a "first purchaser", driving growth of social purpose organizations through its procurement decisions, just as governments around the world have done with products that many initially dismissed, such as recycled paper and electric cars. Currently, however, social purpose organizations are at a disadvantage when participating in the procurement processes of governments and large corporations. Social purpose organizations are often small in size and lack the capacity to engage in large-scale procurement processes. While small and medium for-profit enterprises face similar difficulties, they benefit from the assistance of the Office of Small and Medium Enterprises at Public Services and Procurement Canada.

Figure 27. Social procurement creates needed jobs

In 2014, **Manitoba Housing** partnered with **the Government of Manitoba** to test social procurement by contracting five social enterprises to carry out renovation projects in their social housing units. A Social Return on Investment (SROI) report found that for every $1 invested in the pilot, $2.23 of social and economic value was created. "A lot of money was going to be spent fixing up apartment suites. And they said, can you guys at **BUILD** do these apartment renovations? And we set up Manitoba Green Retrofit to do that work," said Shaun Loney, founder and former Executive Director of BUILD Inc., one of the social enterprise contractors. Winnipeg BUILD has provided employment and life skills training to more than 800 people, mostly urban Indigenous people and refugees. Art Ladd, current Executive Director of BUILD Inc. added, "Governments provide higher value to the public for every dollar spent when they use social purchasing or procurement practices".

Governments around the world have begun using the term social procurement to refer to the practice of leveraging existing procurement spending to create social value — not only to help social purpose organizations improve their access to markets, but also to ensure their purchasing decisions are aligned with their social objectives. Social procurement initiatives have been tested internationally by Scotland and the United Kingdom, France, Finland, and Australia to great effect. We also see examples across Canada of municipalities, regional governments, and other large institutions experimenting with social procurement. Ontario, British Columbia, Manitoba, Nova Scotia, Vancouver, Montreal and Toronto, for example, have recently drafted policies designed to ensure that government purchasing in these jurisdictions provides tangible benefits to communities.

Figure 28. The social procurement movement in Canada

ECPAR (Espace québecois de concertation sur les pratiques d'approvisionnement responsable) supports organizations to integrate responsible procurement and sustainable development practices throughout their supply chains. It offers a variety of tools and services, such as sustainable purchasing criteria and guidelines, a total ownership cost calculator, and networking opportunities between sustainable buyers and suppliers. Its members include Aéroports de Montréal, Hydro Québec and Desjardins.

Community Benefit Agreements (CBAs) are one approach to social procurement used by many purchasers, including governments, to ensure that local communities benefit from investment in infrastructure and other large economic development projects. Benefits can include employment and apprenticeship opportunities for disadvantaged populations, affordable housing, promotion of local social enterprise, and better environmental sustainability. At the time of writing, Parliament is considering a Private Member's Bill (Bill C-344) that would enable the Government to gather information on the community benefits created by its suppliers. As of May 2018, Infrastructure Canada has signed eight integrated bilateral agreements with provinces and territories (Ontario, New Brunswick, Nova Scotia, British Columbia, Alberta, Nunavut, Yukon and Northwest Territories) to apply a Climate Lens and a Community Employment Benefits initiative to relevant programs under the $180 billion Investing in Canada Plan.

The Government of Canada has already recognized the value of leveraging existing procurement spending to advance social and environmental objectives. The Government has created the Procurement Strategy for Aboriginal Business (PSAB) to support capacity development among Indigenous businesses. Public Services and Procurement Canada is also addressing its Minister's mandate commitments to support green and social procurement practices and is currently considering whether to increase the use of CBAs in infrastructure contracts. So far, however, social procurement initiatives have been limited to increasing the diversity of suppliers by supporting women-led small and medium-sized enterprises. While these initiatives are welcome, there has been little movement to engage in social procurement initiatives beyond those relating to diverse suppliers. The Government has an opportunity to coordinate and add to its existing procurement-related initiatives to maximize the socio-economic benefits generated from federal spending. Many First Nations, Inuit and Métis community practitioners we spoke with also expressed great interest in further improving markets for Indigenous businesses through improvements to PSAB.

3.4. Policy and Regulatory Environment

Clear and supportive legislation, regulations, and policy guidance are required to support social innovation, social finance, and social enterprise. These "rules of the game" strongly shape the ability of social purpose organizations to achieve their social and environmental purposes. Unfortunately, we have heard through our consultations that the current rules and a lack of clarity arising from them, notably the rules under the *Income Tax Act* governing registered charities and incorporated non-profit organizations,[28] are constraining the ability of organizations to innovate, generate earned income through social enterprise, work collaboratively with other sectors, and ultimately, deliver better outcomes in their communities. Instead, organizations are expending significant resources — time, money, and energy — to ensure that they are in compliance.

Figure 29. Non-profit organizations and the *Income Tax Act*

A three-year review of non-profit organizations launched by the Canada Revenue Agency (CRA) in 2009 identified a significant number of cases where non-profit organizations were not operated exclusively for a purpose other than profit. The review also observed that many non-profit organizations believed they must produce a profit for their programs to thrive and for their capital assets to be maintained. There was a common view that, as long as profits are used to further the organization's purpose, the source of the funding shouldn't matter. It is the CRA's position, however, that profits should be incidental and arise from activities that are undertaken to meet the organization's non-profit objectives. The earning of profit cannot be or become a purpose of the organization, even if the profit is used to fund non-profit objectives.

Findings from the 2009 review project are consistent with the diverging views that still exist today between many in the non-profit sector and the CRA regarding the role of profit generation within non-profit organizations.

Though we heard about a number of provisions in the *Income Tax Act* and Canada Revenue Agency administrative guidance throughout our consultations, the following legal and regulatory issues stood out:

1. **Unrelated and related businesses carried on by registered charities[29]:** Registered charities are limited in the types of businesses they can run, even if profits are being directed back into the charity's mission. Some charities create complex legal structures in order to satisfy the rules. However, the cost of setting up these workaround structures is prohibitive to most smaller charities and divert charitable resources away from mission-related activities. The consequences of violating the rules can be substantial, including the potential for fines and loss of charitable status, creating a chilling effect on enterprising activity in the sector. Those we consulted believed that the rules should encourage charities to generate revenue allowing them to further their charitable purposes, regardless of whether the business itself is directly related to the charity's purpose.

Figure 30. Example of the challenges pertaining to related business rules[30]

A registered charity that provides support to foundations in Canada would like to establish an impact investing fund to make investments in areas that are important to the community. It would leverage funds invested by foundations, pooling and investing the funds on their behalf. By doing so, the charity would be serving as a gateway to those wishing to explore impact investing for the first time and to those that are too small to meet the minimum investment thresholds of larger funds. The provincial government has committed to providing first-loss capital, which would give some protection to charitable resources.

Before pursuing the initiative, the charity sought guidance from the Canada Revenue Agency (CRA). Unfortunately, the innovative investment model did not meet CRA's narrow view of the criteria of a related business. Instead, the CRA left the organization with no option other than to set up a distinct corporate entity that would require an arm's-length board, separate staff and separate accounting. The charity determined that it would be too costly to set up a new structure, particularly when the fund was not intended to generate profit. The charity consequently abandoned the idea altogether.

2. **Revenue generation by non-profit organizations:** Similarly, non-profit organizations are not permitted to have a profit purpose.[31] The Canada Revenue Agency has interpreted this requirement quite narrowly, so that currently a non-profit cannot intentionally budget for profit even when that profit is reinvested into the mission of the organization. This prevents "public benefit" non-profit organizations from growing a social enterprise or using it to diversify their revenue sources.
3. **Direction and control:** To ensure that charitable resources remain within the sector and available for charitable beneficiaries, registered charities are required to maintain direction and control of their resources. Rules relating to the direction and control of charitable resources limit how charities work with non-qualified donees,[32] in the furtherance of their purposes, even where such collaboration would be the most effective way to achieve a result. These rules also prevent charities interested in supporting other organizations through investment from investing at below-market rates, even if those investments further the charity's mission. The rules are particularly problematic when they require non-Indigenous organizations to exert direction and control over Indigenous recipients. Further, the rules pertaining to program-related investments at the federal level overlap with, and may differ from investment rules at the provincial and territorial level, causing confusion and further administrative burden.

Figure 31. Examples of the challenges pertaining to private benefit rules[33]

Example 1: A small automotive repair shop is looking for help finding good employees. They have found a local registered charity that provides job readiness training to Canadians in vulnerable circumstances. While the charity is permitted to provide training to these individuals, they are not allowed to provide job placement services directly to employers. This is because the Canada Revenue Agency could view the activities as providing a private benefit to the employer that is not incidental to achieving a charitable purpose, which is not permissible under current rules.[34] As a result, the automotive shop is unable to work with the charity to find good employees, even if the partnership is more effective in creating employment opportunities for Canadians in vulnerable circumstances than traditional job readiness programs.

Example 2: A registered charity has been advised that their charitable status is under review because their purpose is to support entrepreneurs in Canada. Canada Revenue Agency guidance states that "promoting entrepreneurship by helping entrepreneurs bring new and innovative ideas to the marketplace" is not charitable, unless it is for activities in areas of social and economic deprivation.[35] The charity currently receives government funding. So, on the one hand, the federal government is committing resources in support of these activities; on the other hand, it is constraining the organization's ability to carry out these activities within the charitable model.

4. **Private benefit rules:** Current rules preventing charitable resources from being used for private benefit protect the integrity of the charitable model and ensure that charitable resources are used only for public benefit. However, in some cases a charity may convey private benefits in the course of creating a public benefit. This scenario is more likely to occur for charities that are engaging in social innovation, social finance, and social enterprise, where the lines between private and public benefit are blurred. Administrative guidance permits charities to undertake activities that result only in *incidental* private benefit, which is to say benefits that are necessary, reasonable and proportionate to the public benefit achieved. However, there are some situations, such as entrepreneurship and employment programs, where the public and private benefits are so closely intertwined that it is difficult to ascertain whether private benefit is indeed incidental. Given that there is no quantitative test for measuring private versus public benefits, those whom we consulted desired clear examples or scenarios explaining the Canada Revenue Agency's application of the rules pertaining to private benefit, to which charities can refer when engaging in social innovation and social finance activities.

Figure 32. The complexity of the rules is a deterrent to innovation[36]

A large registered charity runs a social enterprise that sells donated home and building supplies which would otherwise go to the landfill. Funds generated from the social enterprise support the charity's building projects, allowing them to serve more Canadians in need of affordable housing. Because their business model was so new, the charity initially had to go through a lengthy review process with the Canada Revenue Agency in order to ensure they were compliant with the regulations. As a well-established organization, the charity was able to invest the money and staff resources needed to satisfy these conditions. The cost and intensity of the review process, however, is beyond the means of smaller charities and is a major deterrent to innovation.

Some of the First Nations groups and individuals we spoke with told us that certain provisions of the *Indian Act* can create barriers to social and economic development in their communities. As well, inconsistency across federal policies defining "Indigenous organizations" has negatively impacted Indigenous development.

Overall, those we consulted felt that the policy and regulatory approach affecting social purpose organizations is unnecessarily restrictive and focuses too heavily on compliance activities. Those we consulted desired a policy and regulatory regime that enables mission-related work and is adapting to how social purpose organizations are addressing the complex environmental, social, and economic challenges facing our world. Organizations also desire more clarity and transparency in the way the current rules are applied.

Facilitating social innovation and social finance requires more than just rewriting old rules and creating new ones. There are currently no dedicated venues for government and social purpose organizations, including charities and non-profits, to address issues of shared interest. There are also few mechanisms to ensure that the knowledge and interests of social purpose organizations are taken into consideration across government departments and policies in a sustained and collaborative fashion. Those we consulted thought it was necessary for the Government to develop a new relationship with these organizations, one that recognizes the critical contribution they make as a sector to the economy and to the well-being of Canadians.

Figure 33. Donation patterns in Canada

It may be surprising to learn that donations from individuals and businesses only account for 13% of the charitable sector's revenues.[37] New data from the Rideau Hall Foundation and Imagine Canada finds that **total donations claimed by Canadians have stagnated since 2007** and that **charities are "relying on an ever-decreasing proportion of the population for donations."**[38] The core non-profit sector, which excludes hospitals, universities, and municipalities, already derives more than 45% of its revenues from the sale of goods and services.[39] Research shows that the sale of goods and services is the sector's only revenue source, unlike grants and donations, that is expected to increase in the future.[40] In this context, it is critical to the sector's financial sustainability that we address the legal and regulatory issues impeding charities and non-profits from generating new sources of revenues.

It is an opportune time to address the policy and regulatory environment surrounding social innovation and social finance. The Government of Canada has already identified that modernization of the legal and regulatory regime governing charities and non-profits is a priority through mandate commitments for the Ministers of Finance, Justice, and National Revenue. In 2017, the Consultation Panel on the Political Activities of Charities released its recommendations, some of which directly relate to social finance and social enterprise. The Senate has also recently appointed a Special Committee on the Charitable Sector which continues to gather evidence on the state of the sector from a variety of witnesses. The Social Innovation and Social Finance Strategy is an excellent opportunity to further the progress already made through these initiatives.

3.5. Evidence and Knowledge Sharing

Robust social innovation ecosystems need evidence of what works and how to achieve good outcomes on the ground. That evidence is a combination of timely and accurate data, practical research and evaluation, and knowledge gained through the everyday experience of social purpose organizations. This evidence base is inherently complex, as it is multidisciplinary and spans both the non-profit and charitable sector and the business and financial sectors.

The current gaps in available research and data, both practitioner-led and academic, and the lack of adequate opportunities to share and adapt this valuable knowledge, are significant drags on the potential of Canada's social innovation ecosystems. Through our consultations, we heard that good models for knowledge sharing have been developed, but that more is needed to link existing networks and knowledge infrastructure, fill gaps where they exist, and strengthen bonds across Canada's varied social innovation ecosystems.

Social Innovation Data

Social innovation ecosystems need diverse kinds of data in order to innovate and grow. First and foremost, national-level survey data is needed to understand and describe Canada's social innovation ecosystems. This foundational data establishes critical baselines for evidence-based policy on how to support social innovation. It is also essential for monitoring and reporting on the growth, financing needs, and social issues addressed by social purpose organizations.

Figure 34. A critical data gap regarding a key sector of Canada's economy

The Government has not conducted a national survey on the size of the charitable and non-profit sector since 2002 and stopped publishing economic data on the sector in 2007. This sector is a key driver of social innovation and represented **$135 billion** in economic output, or **8.1% of GDP**, in 2002.[41]

Critical data gaps currently hobble our capacity to include evidence-based decision making and reliable data in national and community-level policy creation, particularly since the core federal surveys and satellite accounts have been dormant for a decade or more. Fortunately, social enterprise surveys are now being done nationally and regionally and are providing important insights (see Figure 35).

Figure 35. Recent social enterprise surveys in Canada

A number of surveys have recently been released that are providing important insights into the state of social enterprises in Canada.

- **The Canadian National Social Enterprise Sector Survey** released in 2016 showed that there are more than 7,000 social enterprises across Canada (not including Québec). The 1,350 social enterprises that responded to the survey reported training 116,000 people, providing services to over 5.48 million individuals, and engaging 116,000 volunteers in 2013-14.
- **Mapping the Social Shift: Nova Scotia's Social Enterprise Sector Survey Report** found that Nova Scotian social enterprises employed over 5,000 individuals and generated $179 million in revenue in 2016.
- Social enterprises will be included for the first time in the federal **Survey on Financing and Growth of Small and Medium Enterprises,** enabling the first-ever national comparison of the social enterprise sector with traditional small and medium-sized enterprises. It is set for release in 2018 by Statistics Canada.
- The 2015 issue of « **L'Enquête nationale du CSMO- ÉSAC : Les Repères en économie sociale et en action communautaire; Panorama du secteur et de sa main-d'œuvre** » (the triannual Québec survey of the social economy workforce, including co-operatives) published by the Comité sectoriel de main d'œuvre pour l'économie sociale et l'action communautaire found that the social economy employed 284,170 people, an increase of 16.5% since 2012, and had a sectoral operating budget of $7,658,023,800, up by 15% since 2012.

The federal government collects a mountain of administrative data about the organizations that apply for funding, their activities and results. However, administrative data on grant and contribution funding does not currently capture information about the use of social innovation, social finance or social enterprise in projects. This makes it difficult to know what government is doing to support social innovation ecosystems. It also limits how well government can compare the effectiveness of innovative approaches versus business as usual. A simple change in program data collection to include tags for social innovation and social finance, and tracking of social purpose organizations, where appropriate, would make administrative data more useful for policy, evaluation, and reporting purposes.

Figure 36. The Child and Youth Data Lab

PolicyWise is an Alberta-based registered charity that works in partnership with universities, social service organizations, and the Government of Alberta. It aims to improve the well-being of children and families by leading, creating, enabling, and mobilizing research and evaluation for evidence-informed policy and practice. Its Child and Youth Data Lab links up various government administrative data about health and social services in order to promote effective service delivery on a range of issues including: family violence, mental health, early childhood development, and fetal alcohol spectrum disorder.

In keeping with the Government of Canada's commitment to Open Government, federal administrative data that is publicly shared would be useful to social purpose organizations. Researchers in particular require community-level data that is disaggregated at the most granular level possible.

Impact measurement

More and better impact measurement data and research are needed to show which social innovations and organizations achieve better outcomes than more traditional approaches. Impact measurement as a field is still in the early stages, but we are aware that work is under way with coalitions of stakeholders, researchers and governments in Canada and internationally to develop improved methodologies for common metrics. Data technologies such as artificial intelligence are also emerging quickly, and hold the promise of better and faster ways to assess impact. Canada lags behind international practice leaders who are creating national impact measurement policies and frameworks, such as Scotland and the United Kingdom. To grow the social finance marketplace so that it can provide more sustainable social funding, many investors see the need for comparable impact data for due diligence and reporting. The 2014 report of the G7-based Social Impact Investment Taskforce, on which Canada participated, stated that effective impact investing was impossible without social impact measurement.

However, our consultations surfaced a lively debate on comparable impact measurement. Some respondents asked for robust common outcomes measurement frameworks, such as developing common indicators to measure social innovation contributions to the United Nations Sustainable Development Goals. Investors and funders we consulted asked for comparable impact data on innovative interventions and organizations.

Figure 37. Impact measurement supporting the Sustainable Development Goals

The Carleton Centre for Community Innovation (3ci) is working with the Government of Ontario and other partners to develop a common approach to **impact measurement** for Ontario social enterprises, framed by two of the UN Sustainable Development Goals. The project is intended to develop and test a common process, data standards and tools which social enterprises can use to communicate their impact in their own words, while also contributing to aggregated measurement of sectoral impacts in Ontario.

By contrast, many social purpose organizations and researchers see greater value in tailoring evaluations to help individual organizations improve their outcomes, a view shared by leading international proponents including the OECD. Some respondents expressed concerns that standardized metrics would cause mission drift or reduce funding for hard-to-measure issues or outcomes.

The Strategy must recognize the validity of these two diverging perspectives. The Strategy cannot impose common impact metrics on anyone. However, it should support measurement and evaluation tailored to help social purpose organizations innovate to improve their outcomes. The Strategy is also well positioned to advance impact measurement as a field by supporting pilots and collaborative research on voluntary common measurement frameworks that capture the contributions of social innovation and social finance to social outcomes. To the extent possible, metrics for the Sustainable Development Goals such as ending poverty should be included in pilots and collaborative research.

Knowledge Sharing

Knowledge creation comes out of practice, from those doing social innovation and social finance. Researchers are able to systematize these experiences for further learning. Applied research, including productive community-academic research partnerships, is vital in terms of broadening and deepening our understanding of what works — and why — in the social innovation space. Our consultations found that practitioners often have difficulty finding and seeing the relevance of existing academic research to their undertakings. We also heard that more research partnerships between practitioners and academics are needed and that practitioners and clients need to be acknowledged and paid for their research contributions.

Figure 38. Practice-based knowledge sharing creating better outcomes across borders

The 2016 Global Social Economy Forum (GSEF 2016), held in Montreal, saw the creation of the International Centre for Innovation and Knowledge Transfer on the Social and Solidarity Economy (C.I.T.I.E.S.), a knowledge-sharing and capacity-building initiative that brings together municipal governments, educational institutions and social economy support organizations from Canada, Spain and South Korea. C.I.T.I.E.S. provides concrete support to partners seeking to learn from the use of approaches to social innovation and social finance abroad, including knowledge syntheses, transfer activities, study missions and advisory services.

The Social Sciences and Humanities Research Council and the Natural Sciences and Engineering Research Council are making partnership research on social innovation a priority. This is promising, but we would also like to see new academic research funding that encourages emerging academics to focus their research on Canada's social innovation ecosystems.

3.6. Awareness and Mobilization

Social innovation and social finance ecosystems are most effective when the individuals and organizations committed to improving their communities — whether they be charities and non-profits, large corporations, public servants, or members of the public — are aware of and can use innovative approaches for creating social impact.

Awareness

Encouragingly, Canadians are beginning to demonstrate increasing interest in new ways of creating social and environmental impact. Consumers are using their purchasing power to support brands that promote fair labour practices and environmental stewardship. Canadian investors, particularly millennial investors, are engaged in crowdfunding and are increasingly interested in responsible investment opportunities. Many charitable foundations have publicly committed to setting aside portions of their wealth portfolios for social finance investment, ranging from five and ten percent, even 100 percent in some cases. Large private companies are also making bold statements about the need for businesses to contribute to society in the course of their profit-making activities.

Unfortunately, the vast majority of Canadians still have very little knowledge of social innovation and social finance. The same is true of many organizations with key roles to play in building successful social innovation and social finance ecosystems, including public sector agencies at all levels of government. While it is encouraging to see some foundations committing investment dollars to social finance, their number remains low, especially considering that there are approximately 10,000 public and private foundations in Canada, holding over $70 billion dollars in combined assets.[42] There are similar challenges related to awareness of social enterprise and social innovation more broadly, leading to missed opportunities for Canadians to create impact through their donations, volunteering and purchasing habits.

Figure 39. Growing awareness of social finance

There are encouraging signs that interest in new ways of creating social and environmental impact is increasing among Canada and key groups. The Responsible Investment Association has conducted surveys which found that millennial investors in Canada show significantly more interest in social finance (and responsible investments more broadly) than previous generations. However, Purpose Capital has found that there is a generally low level of awareness of social finance in the financial sector, in particular among key professionals such as financial advisors and wealth managers.[43]

Increasing awareness of social finance among retail investors and finance professionals could mobilize vast sums of private capital for social and environmental impact. The Boomer generation, for instance, is poised to inherit over $750 billion in assets over the next decade, according to a recent report by CIBC[44] — capital which could be redirected to help tackle pressing social and environmental issues.

Mobilization

Awareness is not sufficient to create change on its own. Those interested in engaging in social purpose work also need venues and opportunities to act on their newfound knowledge, to connect with others, and to get to work on concrete projects and initiatives. All across Canada, there are examples of networks mobilizing to share knowledge as well as spaces, events and conferences where those engaged in social purpose work gather to learn from each other and collaborate on issues of shared interest.

While there are great networks active in Canada today, we heard that social innovation has been happening in pockets across the country and that the active groups and sectors are not well connected. Some organizations and individuals, including the National Impact Investment Practitioners Table and Social Innovation Canada — a national affiliate of the global Social Innovation Exchange, SIX — have been working to develop and connect national networks in support of social innovation and social finance.

Figure 40. An International Network of Social Entrepreneurs

Ashoka has been supporting social entrepreneurs since the 1980's. Following a rigorous vetting process, Ashoka Fellows become life-time members of an expansive network of peers and partners. There are over 3,300 Ashoka Fellows in 90 countries around the world. Ashoka provides fellows with financial, capacity-building and community support with the aim of seeing their innovations thrive and directly improve the lives of millions of people. Canada is home to 50 Ashoka Fellows. Their work has contributed to reducing poverty, provided a platform for **people in marginalized and vulnerable situations**, reduced carbon emissions, increased conservation, improved health and championed human rights. For example, the list of Canadian Fellows includes Candice Lys, who was elected in 2017 and is the co-creator of FOXY – Fostering Open eXpression among Youth – an organization that uses multiple platforms (theatre, media, photography) to teach sex education to Indigenous youth in Canada's territories. Barb Steele, Executive Director of Ashoka Canada notes "The Ashoka Canada Fellow network provides a bridge for social innovations to scale at home and around the world."

We also heard that more could be done to include the private sector into existing conversations. Private sector businesses have made large and significant contributions to social innovation through social venture funding, corporate social responsibility, corporate philanthropy, partnerships with charities and non-profit organizations, and workplace inclusion initiatives.

Figure 41. A networked response to the Sustainable Development Goals

During our consultations, stakeholders in many sectors told us they were working towards the United Nations Sustainable Development Goals (SDGs) and saw the 17 SDGS as an opportunity for cross-sector collaboration. Canadian companies and institutions are engaging with the SDGs through the Global Compact Network Canada (GCNC), the Canadian network of the United Nations Global Compact. The GCNC helps Canadian businesses and organizations embed and advance action towards the SDGs through various programs and activities, including the SDG Surveys, SDG Leadership Awards, Canadian SDG Business Forum, SDGs Reporting Trainings, SDG Peer Learning Roundtables and Working Groups, and educational webinars.

Alliance 2030, led by Community Foundations of Canada in collaboration with a number of partners, is a national network of organizations working on issues such as youth engagement, diversity and inclusion, care for the environment, and reconciliation that is now anchored in the goal of supporting Canada's progress on the SDGs.

Opportunities also exist for sharing knowledge and collaborating internationally. Canada has much to learn and share from the experiences of other jurisdictions that have led the way in enabling and supporting social innovation and social finance.

4. Indigenous social innovation and social finance

As part of our stakeholder engagement process, our Steering Group met with First Nations, Inuit and Métis groups and individuals and held exploratory conversations with political organizations in order to gather their perspectives in the development of the Social Innovation and Social Finance Strategy. The Steering Group's two Indigenous members helped guide this dialogue.

The potential of Indigenous social innovation and social finance

Through this dialogue, we learned of myriad Indigenous-led initiatives, both past and present, where innovative ways of working and partnerships helped improve quality of life in communities. There are also many examples of emerging partnerships involving First Nations, Inuit and Métis groups and individuals as well as non-Indigenous communities, and which are being enabled by social innovation and social finance approaches.

Figure 42. Examples of Indigenous focused social innovation

Aki Energy is a social enterprise working in Manitoba First Nations communities to develop and implement sustainable energy and food solutions. By transitioning on-reserve households to geothermal and solar power, this non-profit venture seeks to make communities self-sufficient for electricity while providing local opportunities for young people to be trained and employed on renewable energy projects. Aki has partnered with Manitoba Hydro using an innovative "pay-as-you-save" arrangement, and invests revenues from its energy business in local organic farms that are helping to address nutrition and food security issues in remote communities.

Pinnguaq, which means "play" in Inuktitut, was created in 2012 as a non-profit technology startup based in Pangnirtung, Nunavut, with the goal of providing gaming experiences in Indigenous languages. Since then, it has embraced ways of incorporating play into a wide variety of applications that can benefit tourism, education, and economic development, such as Te(a)ch, a made-in-Nunavut curriculum that teaches Indigenous computer science and game development. In 2017, Pinnguaq was awarded the Best Social Enterprise (North) and Best Social Enterprise (Canada Wide) at the Startup Canada Awards.

Arctic Co-operatives Limited and the **Fédération des coopératives du Nouveau-Québec** are among the largest Indigenous-owned enterprises in the world. Both co-operatives are the largest employers of Indigenous people outside government in their regions and the main provider of essential services such as food, fuel delivery, and accommodation. These enterprises are vehicles for the self-determination, innovation and economic diversification of their communities.

However, we also heard that mainstream definitions of social innovation and social finance are often unknown in Indigenous communities, meaning that the language we use can create confusion and act as a barrier. This lack of clarity surfaced in discussions on the potential of mobilizing capital for social finance to address social and economic challenges. It was noted that there is a need to build social finance literacy among those who are new to social finance, specifically regarding the different ways in which investors and intermediaries such as banks and Aboriginal Financial Institutions can deploy different types of capital in support of community development. Some of the practitioners we spoke with also expressed the view that an initiative or program must be disruptive and deliver transformational improvements in order to truly be considered social innovation. Participants in our discussions presented this as an opportunity for Indigenous communities to adapt the language of social innovation and social finance to their cultural perspectives, at their own pace.

Figure 43. Innovation as an Indigenous value

The tagline of the first Indigenous Innovation Summit in Winnipeg, held in 2015 was "Innovation is an Indigenous value." At the summit, Senator Murray Sinclair reminded the 300 mostly Indigenous people present that innovation is not just about new things — it is also about bringing the past into the present to help address the current challenges facing communities.

Despite these challenges, the Indigenous groups and individuals we spoke with expressed cautious optimism for the potential of social innovation and social finance practices to create better social and environmental outcomes in the areas they identify as priorities. Many told us that key aspects of social innovation and social finance, including the blending of social, economic and environmental objectives and the importance of partnerships, are consistent with Indigenous cultural values. We also heard that social innovation and social finance practices have the potential to create spaces where Indigenous and non-Indigenous people can learn from each other as they work side by side to build capacity and promote the transfer of knowledge in Indigenous communities.

Indigenous social innovation and social finance ecosystems

A majority of the Indigenous groups and individuals working on innovative initiatives to address social and environmental issues identify with the six areas for action our Steering Group used to structure our stakeholder engagement, while also facing challenges specific to their context.

We heard that the **capacity and skills** gap is particularly acute in the Indigenous context, with many organizations and individuals interested in engaging on social innovation and social finance finding themselves unable to do so given their limited resources and competing priorities. Practitioners noted that partnerships where a transfer of capacity is well-defined and targeted are one of the key success factors in community development and in new initiatives. We were told that limited access to and inflexible **funding** practices associated with federal grants and contributions prevent communities from pursuing the solutions they know are needed in their communities. It was clearly expressed that Aboriginal Financial Institutions require additional **capital** in order to increase business supports and development lending. There was great interest in further improving **access to markets** for Indigenous businesses as an avenue to contribute to Indigenous community prosperity, including through improvements to the Government's Procurement Strategy for Aboriginal Business. We also heard that the **policy and regulatory environment**, notably the *Indian Act* and policies surrounding the definition of "Indigenous organizations," are difficult to navigate and create barriers to community empowerment. And finally, regarding **knowledge sharing** and **awareness**, participants in our discussions identified a need for Indigenous-led knowledge transfer initiatives and innovation hubs.

Challenges for Indigenous communities

In our dialogue, Indigenous groups and individuals also conveyed some important messages regarding challenges specific to Indigenous communities and risks that social innovation and social finance practices could potentially create for them.

First, it was reiterated to us that the Government has committed to a renewed, Nation-to-Nation, government-to-government and Inuit-Crown relationship based on the recognition of Indigenous peoples' right to self-government and self-determination. First Nations, Inuit and Métis community practitioners told us that, to give effect to this commitment, Indigenous social innovation and social finance initiatives should be Indigenous-led and should not duplicate those that already exist or are being advanced in mainstream Canadian society. We heard that the Government of Canada should commit to engaging National Indigenous Organizations, at a pace determined by them, to facilitate potential Nation-to-Nation collaborations in this area.

Second, many Indigenous groups and individuals we spoke with shared deep concerns regarding an increased role for businesses and philanthropic organizations in Indigenous communities, which could result from the adoption of social innovation and social finance practices. First Nations, Métis and Inuit community practitioners welcome the contributions of private and philanthropic capital as well as opportunities for building skills and knowledge through partnerships with non-Indigenous partners, but reiterated that community development must take place on Indigenous peoples' terms, according to their priorities, in keeping with the principles of self-government and nation building.

Finally, many Indigenous groups and individuals asked us why Indigenous groups should spend their limited resources engaging on social innovation and social finance absent any indication from the Government that this area will be a priority moving forward. Some described social innovation as the "flavour of the month," or a reallocation of existing program dollars which could add to burdensome application and reporting processes for federal grants. When asking these questions, the Indigenous community practitioners we spoke with expressed their hope that the Government will in fact demonstrate its commitment and undertake formal engagement in this area.

The way forward

As a Steering Group, we continue to strongly believe in the potential for social innovation and social finance to give meaningful effect to the Government's commitments to reconciliation and a renewed relationship with Indigenous peoples. Indigenous communities must be engaged in the design of and benefit from the new programs and measures resulting from these recommendations, particularly in the areas of building capacity and skills, funding and capital, and knowledge sharing and mobilization.

Government should commit to engaging National Indigenous Organizations to undertake potential Nation-to-Nation collaborations at a pace determined by them.

In the meantime, the Government should identify funding to support an Indigenous-led social innovation and social finance needs assessment and mapping exercise. This initiative should aim to better define gaps specific to the Indigenous context, adapt language and definitions in culturally appropriate ways, and identify promising, Indigenous-designed projects for building capacity, cross-sectoral partnerships and knowledge sharing through social innovation and social finance approaches. It should be designed and implemented by First Nations, Inuit and Métis communities. Given the high level of interest in building capacity and sharing knowledge, funding for this initiative could be allocated through one of two new measures being recommended in our report, the Social Innovation Ecosystem Program (recommendation #5) and/or the Social Innovation Data and Research Initiative (recommendation #11).

5. Recommendations for an integrated approach in support of social innovation and social finance

Government has a strategic role to play in supporting the development of social innovation and social finance ecosystems. We recommend implementing twelve measures that would, collectively, unleash the potential of social innovation to address Canada's most pressing social and environmental challenges.

The Government of Canada will see maximum impact if it makes investments across the areas of action in an integrated fashion. A finance initiative without accompanying capacity-building supports will likely struggle to find investment-ready opportunities or fail to benefit the hardest-to-reach communities where access to capital is most difficult. A plan to increase social procurement will not be impactful if regulatory and legislative barriers prevent charities and non-profits from participating in the marketplace.

We are firm in our belief that the Strategy will likely fail to reach its objectives if it is not implemented with a genuinely integrated approach. Our first set of recommendations focus on the governance and public service infrastructure required to facilitate a horizontal approach across the federal government.

If they are to succeed, the measures we recommend must be designed and implemented with the following principles in mind.

- **Recognition:** Social purpose organizations are important contributors to both the economy and the health and well-being of Canadians. Recommendations also recognize the efforts that regions, provinces and territories have already undertaken to advance social innovation and social finance.
- **Complementarity:** Recommendations respect and build on existing knowledge and efforts of the regions, provinces and territories as well as communities.
- **Subsidiarity:** Decisions are best made by the competent authority that is closest to the issue, whether that be at the local, regional, or national level.
- **Evidence-based:** Recommendations are informed by data and the best available evaluation results and research.
- **Action-oriented:** Recommendations embrace smart risk-taking across all sectors.
- **Co-developed:** The Government engages and co-creates with those who are most affected by a recommendation.
- **Cross-sectoral:** A "big tent" approach that requires the charitable and non-profit, co-operative and mutual, private, and public sectors to collaborate across silos and focus on outcomes. No one sector can achieve these transformational outcomes on its own.

Finally, we reiterate that any project or initiative flowing from these recommendations and which primarily affects Indigenous communities should be Indigenous-led. In the previous section, we recommended that funding be identified for an Indigenous-led social innovation and social finance needs assessment, which would better define gaps specific to the Indigenous context.

5.1. Governance and Public Service Infrastructure

Recommendation #1: Anchor commitment and long-term policy action toward social innovation and social finance in Canada through legislation.

We recommend that the Government embed a commitment to social innovation and social finance in Canadian legislation. This will underpin the entire Social Innovation and Social Finance Strategy and provide the legislative framework needed for the Government of Canada to create the specific mechanisms, policy measures and regulations required to foster the social innovation and social finance ecosystem in Canada. In doing so, it will serve to establish a new relationship between the Government and social purpose organizations, one that recognizes them as important partners in achieving prosperity and quality of life. And it will ensure that the Government considers social impacts, in addition to economic and environmental impacts, in all its decision-making. The development of federal framework legislation should be led by the Office for Social Innovation (recommendation #3).

This recommendation is inspired by legislation adopted in other jurisdictions, including Québec, which has proven instrumental in creating a culture of innovation and in facilitating policies, programs, and delivery tools to support social innovation initiatives in communities. Key elements of the legislation should include:

- Acknowledgement of the importance of social purpose organizations in Canada and their contribution to the economy, quality of life and to innovation broadly;
- A "social impact lens" directing all Government departments and agencies to consider social impact and community benefit in government decision-making;
- A commitment to create and implement a national strategy to promote the development of social innovation and social finance ecosystems, to monitor and regularly report to Parliament on the progress of this strategy, and to review the strategy every five years;
- Creation of a multi-sectoral Social Innovation Council (recommendation #2).

The Government may wish to consider amending existing legislation to meet the objective of more explicitly considering social impacts. Bills C-57 and C-69 are two examples currently before the House of Commons where the Government is enshrining this more holistic approach in law. Bill C-57 seeks to amend the *Federal Sustainable Development Act* to expand the requirement that decision-making be reviewed through an environmental, economic, and social lens to more departments and agencies of government. Bill C-69 enacts the *Impact Assessment Act*, which, among other things, outlines a process for assessing the environmental, health, social and economic effects of designated projects.

Recommendation #2: Establish and fund a permanent multi-sectoral Social Innovation Council to advise the federal government.

The Government of Canada should establish a permanent Social Innovation Council. The existence of the Council should be embedded in legislation (recommendation #1). The Council will institutionalize a collaborative relationship between social purpose organizations and the federal government. The Council will advise the Government on how federal programs and policies can support social innovation and social finance ecosystems and could oversee implementation of a federal strategy. The Council will be supported by the Office for Social Innovation (recommendation #3).

The Council should be multi-sectoral and include representatives from the charitable and non-profit, co-operative, academic, private, and public sectors, as well as the labour movement and official language minority communities. In keeping with the principle of recognition outlined above, the individuals whom the Government selects to sit on the Council should either be connected to or knowledgeable about the networks serving social purpose organizations in their region or sector; social purpose organizations active in social innovation and social finance ecosystems should participate in the selection process to ensure this objective is met. The Government should also select Council members with significant experience in community, which is to say, who work or have worked at the local level with individuals in vulnerable circumstances.

Recommendation #3: Create a permanent Office for Social Innovation.

We recommend that the Government establish a permanent Office for Social Innovation within the federal public service, serving five key functions in the overall governance structure of the Social Innovation and Social Finance Strategy:

1. Support and coordination of the Social Innovation Council (recommendation #2);
2. Delivery of flagship initiatives, including the Social Innovation Ecosystem Program (recommendation #5) and the national awareness campaign (recommendation #13), in collaboration with relevant departments and agencies;
3. Coordination, information-sharing, and awareness-raising within the federal public service;
4. Support for strengthening Canada's participation in international networks, such as the United Nations Inter-Agency Task Force on Social and Solidarity Economy, the Social Enterprise World Forum and Global Steering Group on Social Impact Investment (see Figure 44);
5. Serve as a "single window" into the federal government for social purpose organizations engaged in social innovation and social finance activities.

The Office for Social Innovation will play a crucial role in building the processes and relationships to ensure that departments and agencies implicated in the roll-out of the Strategy are committed to a shared vision. It should be structured in a way that fosters and enables genuine and deep interdepartmental collaboration.

Figure 44. Canada's participation in international networks

Canada benefits greatly from international spaces dedicated to social innovation and social finance and should look to maintain and increase its participation is spaces such as the Global Social Economy Forum, the Social Enterprise World Forum, the United Nations Inter-Agency Task Force on Social and Solidarity Economy, various OECD fora including the Local Economic and Employment Development (LEED) Programme, the Social Innovation Exchange (SIX), and the Global Steering Group on Social Impact Investment (the successor organization to the Social Impact Investment Taskforce established under the United Kingdom's presidency of the G7 in 2013).

These venues are not traditional conferences; they have led to important partnerships operating across borders to deliver improved social and environmental outcomes for communities. For example, at the Global Steering Group on Social Impact Investment, staff from social finance wholesalers, including the UK's Big Society Capital, have shared data and lessons learned with participants from countries working to establish similar institutions, including Australia, Japan and Portugal. This type of exchange between practitioners is critical to ensure that countries embarking on capitalization initiatives avoid risks encountered elsewhere and ensure results are delivered for communities right from the outset. Canada should be at the table for these conversations.

To this end, the Government may wish to explore creative organizational models for the Office, including housing the Office staff in multiple departments and units that are active on social innovation (such as the Privy Council Office's Impact and Innovation Unit, Employment and Social Development Canada's Community Development and Homelessness Partnerships Directorate, and Innovation, Science and Economic Development's programs delivering supports to small and medium-sized enterprises) to increase reach, coordination, and collaboration among departments and issue areas. The Office should also take advantage of innovative hiring practices currently available to the public service, such as Free Agents, Interchange and Talent Cloud, to staff the Office with a dynamic mix of experienced public servants and external practitioners and experts. Finally, the Office should be resourced at a level commensurate with its responsibilities.

5.2. Capacity and Skills

Recommendation #4: Improve social purpose organizations' access to federal innovation, business development and skills training programs.

Opening up federal innovation supports to social purpose organizations is an urgent and critical first step that the Government must take to accelerate the development of Canada's social innovation and social finance ecosystems. Many existing federal programs are already suited to support the development and adoption of innovations that improve community well-being. However, they are focused on conventional businesses or technological innovation and are not tailored or marketed to social purpose organizations.

The Government's long-term vision should be to ensure that the innovation supports that it funds and delivers — including everything from direct financing and support for mentorship initiatives to work-integrated learning opportunities for students and concierge services — are fully accessible to and take into account the needs of social purpose organizations. They should be open by default.

Figure 45. Access to business development supports

In 2011, Enterprising Non Profits conducted a review of 100 federal and provincial/territorial business development programs and services available to small and medium-sized enterprises. The research found that only two of the programs and services reviewed specifically excluded non-profits, but that **access was unclear, ambiguous or appeared restricted for 93 of the other programs and services.**[45]

For example, social enterprises that participated in our consultations in British Columbia, Ontario, and Nova Scotia reported receiving conflicting feedback from their local Community Futures organizations regarding their eligibility, even though the terms and conditions of the Community Futures Program explicitly indicate that local Community Futures organizations "may charge lower interest rates for social enterprises" (Schedule 2, Section 2.1).

The federal government's current work on business innovation provides a window of opportunity to begin implementing this vision in the short term. In Budget 2018, the Government of Canada announced that it had completed a review of its business innovation program suite and was embarking on a process to consolidate 92 separate programs into a streamlined suite of four flagship "platforms."

We propose that the Government use this opportunity to determine where programs could be opened, adapted, or modified to better meet the needs of social purpose organizations. Small changes made as a result of this review, such as modifying eligibility criteria, creating new program streams, or raising the awareness of program officers, could make a decisive difference. The review should recognize the value of these programs both to social purpose organizations that generate revenue and to those that do not.

As part of this review, particular attention should be paid to how the Government can immediately improve social enterprises' access to and awareness of business development programs, such as the Canada Small Business Financing Program, Regional Development Agencies, and Community Futures.

Following this review, the Government should work with the Social Innovation Council (recommendation #2) to identify additional federal innovation supports where more could be done to improve access and relevance for social purpose organizations.

Recommendation #5: Establish a multi-departmental Social Innovation Ecosystem Program.

Many of the recommendations in our proposed Strategy will ensure that existing federal rules and programs are designed and implemented to support social innovation and social finance over the long term. However, social purpose organizations that are already addressing the pressing social and environmental issues facing communities cannot wait for these systems to change; they require government investment in the near term in order to innovate. As such, we recommend that the Government establish a five-year Social Innovation Ecosystem Program to respond to pressing gaps identified across social innovation and social finance ecosystems.

The Social Innovation Ecosystem Program should include three streams:

1. **Building capacity for innovation:** This stream will support organizational capacity for early-stage innovation and experimentation through grants. This should include funding for social R&D, partnership development, fellowships, data infrastructure pilots, data literacy tools and training, impact measurement skills, and technological capacity.
2. **Investing in intermediaries and infrastructure:** This stream will fund social purpose organizations and initiatives that support social innovation and social finance ecosystems, including collaborative spaces, learning platforms, incubators and accelerators, and awareness-raising initiatives.
3. **Sharing knowledge:** This stream will support initiatives that transfer knowledge, data, and research about social innovation, social finance, social enterprise and impact measurement. In particular, this stream should support the establishment of a pan-Canadian Social Innovation Knowledge Sharing Network, coordinated by the Office for Social Innovation that will build on existing regional networks and knowledge infrastructure while supporting the emergence of new networks where gaps exist.

The Social Innovation Ecosystem Program would be a key lever of the Strategy, ensuring it is delivered in a cohesive and coordinated fashion and serving to further recommendations under other areas of action. For example, the program could serve to model best practices for enabling innovation through grant and contribution funding, an issue addressed in recommendation #7.

Figure 46. The potential of cohesive support for social innovation and social finance ecosystems

The **Social Enterprise Ecosystem Project** (S4ES) was launched in 2016 by a consortium of partners that came together to develop a cohesive ecosystem of supports for social enterprise in Canada. S4ES is funded by the McConnell Foundation, the Mental Health Commission of Canada and Employment and Social Development Canada.

S4ES connects training, marketing, and impact measurement resources for social enterprises operating anywhere in Canada. It offers an online marketplace as well as an accelerator program to build and scale proven social enterprise models that enhance employment opportunities and provide direct services to vulnerable individuals. To date, the program has successfully leveraged an initial government investment of $4.3 million at a rate of more than 2 to 1, exceeding $9 million, demonstrating the potential impact of investments in these types of collaborative social purpose intermediaries.

The creation of the Social Innovation Ecosystem Program could help scale up successful projects such as S4ES and fund new initiatives to develop ecosystems of supports that empower social purpose organizations to improve outcomes in their communities.

While the Social Innovation Ecosystem Program could be leveraged to build capacity for social procurement, we also recognize that more targeted action is required in this specific area. Recommendation #8 proposes measures to address this gap. Public Services and Procurement Canada could work through the Social Innovation Ecosystem Program to add to and enhance its support for social procurement.

5.3. Funding and Capital

Recommendation #6: Create a Social Finance Fund.

We recommend that the Government create a Social Finance Fund ("the Fund") to accelerate the development of social finance ecosystems across Canada. This Fund would be delivered under a stakeholder-led governance model to ensure it connects to the broader, integrated set of supports being recommended for the Strategy in this report. The Government's investment in the Fund would result in improved access to capital for social purpose organizations working to address persistent social or environmental challenges, with an emphasis on innovative approaches responding to regional and local realities and targeting those who live in the most vulnerable circumstances.

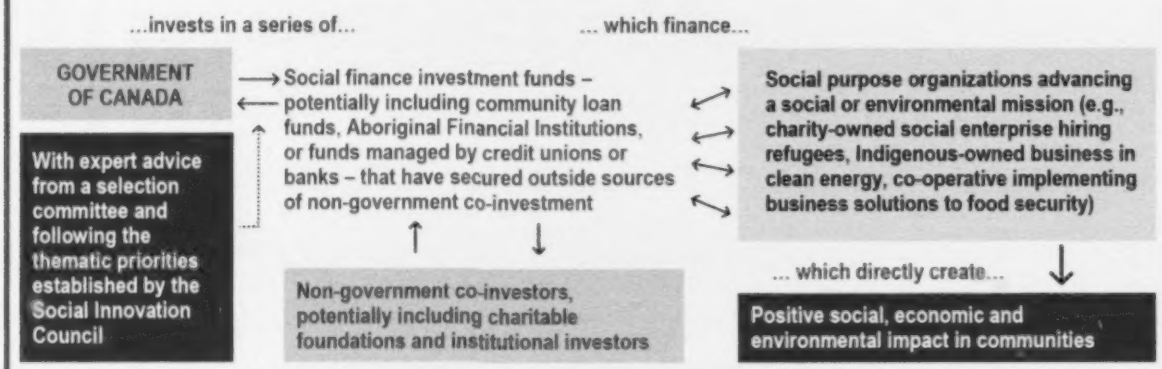
Competitive process. The Fund would invest in multiple social finance investment funds across sectors and regions, through fair, open and transparent solicitation processes. Through these investments into intermediaries, which could include, for instance, community loan funds, credit unions, Aboriginal Financial Institutions, chartered banks, or private equity funds, the Fund would demonstrate the viability of social finance and develop the intermediary sector, while addressing the key barriers currently inhibiting growth in the market.

Figure 47. Capital gap for social purpose organizations

Studies undertaken in Ontario have estimated that the capital gap facing social purpose organizations ranged between **$45 million** for for-profit social purpose organizations alone (2017)[46] and **$170 million** for all social purpose organizations (2010).[47] These provincial figures suggest a much greater capital gap at the national level.

Governance. The Fund's governance model should be guided by the objective of maximizing the positive social outcomes generated by its investments. It should also involve a significant role for stakeholders in the design and delivery of the initiative, in order to ensure that it responds to the needs of communities. To give effect to this outcomes-driven, stakeholder-led governance model, the Social Innovation Council would consult existing umbrella organizations, networks and regional stakeholders active in social innovation and social finance to identify thematic priorities for each region as well as national themes of shared concern. The Council would also advise the Government on the establishment of a selection committee composed of investment professionals with social finance experience and knowledge of local and regional social innovation ecosystems. The selection committee would be responsible for guiding the design of competitive solicitation processes and providing recommendations to the Government on the selection of intermediaries to receive investment from the Fund, in line with the regional and national priorities set by the Council. Protocols would be established to protect the selection committee's neutrality and independence and to ensure that recommendations are based on sound investment principles. The Government would make the final decisions, deploying its capital through a federal entity with the authority to make investments. This entity would serve as the legal conduit for the Government to flow monies to intermediaries and to ensure proper oversight.

Figure 48. A Social Finance Fund that reaches communities


...invests in a series of...
... which finance...
GOVERNMENT OF CANADA
With expert advice from a selection committee and following the thematic priorities established by the Social Innovation Council
Social finance investment funds – potentially including community loan funds, Aboriginal Financial Institutions, or funds managed by credit unions or banks – that have secured outside sources of non-government co-investment
Non-government co-investors, potentially including charitable foundations and institutional investors
Social purpose organizations advancing a social or environmental mission (e.g., charity-owned social enterprise hiring refugees, Indigenous-owned business in clean energy, co-operative implementing business solutions to food security)
... which directly create...
Positive social, economic and environmental impact in communities

Investment approach. The Fund should aim to accelerate growth across market segments, in order to reflect the diversity of practices, capital needs and investor requirements in Canada. The Government's investments should enable the development of a variety of financial vehicles supporting the growth of a range of social purpose organizations. A key priority of the Fund should be to support intermediaries that offer longer-term "patient" capital investments in the form of debt financing, loan guarantees and equity investments or some combination of the three. To achieve this goal, the Fund could be delivered under multiple streams, each focusing on a targeted objective, market segment or financing tool or product. The selection committee would advise the Government on the number and design of these streams. Across all streams, the selection committee should actively consider opportunities to invest in innovative models with the potential to accelerate the growth of social finance, while maintaining a focus on investments which maximize social or environmental impact, rather than what is new or novel. Under any scenario, intermediaries' investment proposals would be vetted against their alignment with the regional and national priorities identified by the Council.

Figure 49. The Chantier de l'économie sociale Trust

In 2006, the Government of Canada provided $22.8 million in seed funding to the Fiducie du Chantier de l'économie sociale. This $52.8 million fund provides patient capital financing to support start-up, expansion and real estate activities of co-operatives and not-for-profit businesses. Over 10 years, the Trust invested in 212 projects, creating or maintaining 3,183 jobs and mobilizing an additional $374 million in investment. Building on its acquired expertise and the recognition of its actions, the Fiducie du Chantier de l'économie sociale has set up investment funds for the specific needs of social economy sectors. In 2016, the first associated fund was created, with $33.5 million fully funded by private partners. The fund is used to renovate community housing projects. Recently, the Fiducie entered into agreements for a second associated fund with an initial amount of $10 million, also financed by private partners, to build student housing.

Leveraging. The Government should only invest in intermediaries which have leveraged outside sources of non-government capital. Where appropriate, the Government could make its investments on a subordinated basis to attract co-investors.

Repayable investment. The Government's capital would be invested on a repayable basis, with a view to preserving the value of the total investment over a fifteen to twenty-year timeframe. We recommend that the capital returned to the Government be recycled into further investments to ensure that the Fund remains evergreen and continues to build the social finance market and create positive outcomes for communities over the long term.

Capital allocation. The Fund's total envelope of capital should be comparable in size to recent market-building initiatives, such as the Venture Capital Catalyst Initiative and the creation of Sustainable Development Technology Canada. The bulk of investments would be made into intermediaries operating at the regional level. However, a percentage of the capital should also be reserved for intermediaries operating at the national level, as long as their activities are aligned with the priorities identified by the Social Innovation Council.

Figure 50. The Canadian Co-operative Investment Fund

The Canadian Co-operative Investment Fund (CCIF) launched in January of 2018 with $25 million in committed capital from a number of co-operative and credit union partners across Canada. The CCIF is a response to a critical challenge facing co-operatives and mutuals: the challenge of accessing capital without compromising their autonomy and democratic ownership. The Fund is doing this by offering cooperatives and mutuals a source of capital that accounts for the realities of the cooperative business model. CCIF has approved the first investments in four co-operatives and is expanding its pipeline of potential investments in innovative co-operatives across the country.

Additional support for the CCIF would enhance the reach of the fund and help the Government advance its mandate to promote the development of co-operatives in Canada, which was established through Motion M-100.

Impact measurement and evaluation. Streamlined reporting requirements and criteria for impact measurement would be established to ensure accountability and allow for a rigorous evaluation of overall impact. Recognizing that further research is needed to address the complex methodological and capacity challenges that currently limit the use of common impact metrics, standardized impact measurement would not be made mandatory for intermediaries receiving investment. The Government would partner with practitioners and experts to select or adapt an existing impact measurement system and tools, which investees could use to satisfy their reporting and impact measurement requirements. Strong preference should be given to impact measurement approaches that build on international best practices and align with the Sustainable Development Goals. The Government should make the results of the initiative publicly accessible, both to ensure transparency and to deepen understanding of the financial performance and social impact delivered through social finance.

Policy alignment. The Government would consult the Social Innovation Council, other federal departments and provincial/territorial governments to ensure policy alignment with other initiatives where governments are currently using investment-based approaches to advance policy objectives: for example, the Canada Mortgage and Housing Corporation's National Housing Co-Investment Fund, the investments made under the Québec government's Social Economy Action Plan, and the Ontario government's Social Enterprise Demonstration Fund. Where investments made by the Fund are in areas such as affordable housing or the social economy, the Government would aim to invest in intermediaries that also meet the essential criteria set by other government initiatives, in order to promote a strong level of complementarity.

Capacity-building. Several features should be built into the Fund to ensure that it increases the availability of financing opportunities for social purpose organizations across Canada, including in regions where there is currently little social finance activity. The competitive solicitation processes launched by the Fund would also require intermediaries applying for investment to outline what partnerships they have created to build investment readiness. These processes would also be staggered to provide communities with the time to develop the necessary partnerships. On occasion, promising investment opportunities could receive joint support from the Social Innovation Ecosystem Program (recommendation #5). Finally, the federal entity designated to deliver the Fund should also be provided a small envelope of grant dollars which it could use when additional support for capacity-building is required for a promising investment opportunity to come to fruition.

Figure 51. Future measures for growing social finance

A Social Finance Fund would address the barriers inhibiting the social finance market from reaching its full potential and, in the process, mobilize large sums of private and philanthropic capital to tackle pressing social and environmental issues facing Canadian communities. This initiative is needed to kick start growth in regional social finance ecosystems across Canada.

Following the implementation of a Fund, the Government may also wish to explore legislative, regulatory or fiscal measures to further mobilize capital for social good, drawing inspiration from the Community Economic Development Investment Funds in Nova Scotia, the *Community Reinvestment Act* in the United States, the Social Investment Tax Relief in the United Kingdom, or the Green Funds Scheme in the Netherlands. These opportunities could be examined by the Social Innovation Council (recommendation #2), paying close attention to the need to adapt these measures to the Canadian context.

Recommendation #7: Ensure federal funding practices support and enable social innovation.

During our consultations, it became apparent that the federal government must establish a new relationship with grant recipients if it is to effectively encourage widespread innovation. The new relationship should move beyond transactional and compliance-based activities that treat organizations narrowly as service delivery agents and instead, recognize grant recipients as valued partners with whom the Government works to achieve common policy objectives. The new relationship should also take into account the unique realities of organizations. Official language minority communities, for example, often cannot access the kinds of supports that are readily available in the majority-speaking communities. Furthermore, these are groups that understand their constituencies and would like to develop solutions by and for their communities. In establishing this new relationship, we recommend the Government adopt a series of "innovation funding criteria" (see Figure 53) within its granting practices to ensure that federal funds facilitate innovation where it is desired and appropriate to do so.

The Treasury Board Secretariat is currently working to renew the Policy on Transfer Payments, which sets out how departments administer grant and contribution programs. We recommend that the Treasury Board Secretariat incorporate the innovation funding criteria within the policy and related directives and guidance so that the new policy enables departments and social purpose organizations to innovate. In doing so, the Treasury Board Secretariat should consult with grant recipients in developing the Policy on Transfer Payments to ensure that overall user experience improves.

We also recommend that major grant and contribution delivery departments demonstrate leadership within the federal government by proactively embedding the innovation funding criteria in the design and implementation of their programs. The criteria should apply to all programs where innovation is desirable, not just streams or funds earmarked for innovation. The end result should be more flexible and risk-tolerant programs that are better able to meet the needs of Canadians

Figure 52. Federal grant and contribution spending

The Government of Canada spends **$41.6 billion** a year in grants and contributions (excluding major transfer payments to individuals and other levels of government) to further its policy objectives and deliver programs and services in communities. Of this amount, almost **$13 billion** are payments made to non-profit organizations.[48] The Government has a significant opportunity to leverage at least a portion of these funds to ensure programs foster innovation where appropriate.

We recognize the Government's ongoing exploration of outcomes-based funding, prizes and challenges, and microgrants. We urge the Government to ensure these funding tools are implemented in a manner that is consistent with our proposed innovation funding criteria and that creates true incentives and meaningful scope for innovation.

Figure 53. Innovation Funding Criteria

The Government should adopt the following best practices, or criteria, as it renews its relationship with grant recipients and looks to further fund innovation.

First and foremost, grants should encourage risk-taking and permit some degree of failure. Innovation suffocates within a risk-adverse environment, as experimentation is a key part of innovation. We should encourage organizations to learn by doing, providing them with the **flexibility** to adjust as they try new things and adapt to unanticipated results. Consequently, reporting and evaluation activities should be **proportional** to the level of risk that is taken, with more significant requirements associated with riskier projects.

Summary

1. Flexible
2. Proportional
3. Collaborative
4. Knowledge-building
5. Accessible
6. Client-focused
7. Patient
8. Comprehensive
9. Timely
10. Relevant

Innovation occurs best when organizations collaborate across sectors. Resources – time, talent, and money – can often be leveraged among multiple partners. Grants should support **collaboration** and the development of partnerships and networks. It is also important that grants support **knowledge-building** to ensure that knowledge is captured and shared with others to support collective learning.

Government grants should be **accessible** to all social purpose organizations. Departments should pay particular attention to improving accessibility and using flexible models for organizations in rural, remote and northern communities as well as official language minority communities. Innovation often comes from unexpected places: grants should be welcoming to those without prior funding history and should ensure that social purpose organizations with unusual legal structures, including for-profit social enterprises, are eligible where appropriate.

Granting departments should aim to reduce red tape as much as possible and adopt high service standards. Administrative complexity is a major deterrent to innovation. In doing so, departments should be **client-focused,** building relationships with recipients, reducing red tape (including lengthy application processes), and working alongside them to achieve common goals.

Grants should be **patient**, funding organizations over longer periods to reflect the length of the innovation cycle, which most often occurs over years, not months. Grants should be **comprehensive**, ensuring that funding covers the direct costs of a project as well as a proportionate share of an organization's indirect projects costs, such as overhead and evaluation.

Great ideas don't wait; so it's important that grants are **timely.** Consider accepting concepts on a continuous basis rather than set arbitrary application deadlines. It is also considered best practice to issue call for concepts, both because they are easier to apply for than calls for proposals and because they allow granting departments more time to work collaboratively in designing projects with organizations. This type of collaboration also allows granting departments to understand how and where innovation is happening in a sector and to support it.

Lastly, innovation looks different depending on where you sit. Innovation within the health sector, for example, will look different than innovation within the arts sector. Departments should work with those who are innovating to ensure their standard of innovation is **relevant** and reflects the specific context and policy domain being funded. Departments should also work with recipients at the outset in the design of their calls for concepts to ensure the calls reflect broad priorities in the sector and that they are meeting the needs of the community.

5.4. Market Access

Recommendation #8: Incorporate social procurement guidelines, tools and training opportunities into the Government's focus on a cohesive sustainable procurement plan.

Government procurement is a key lever for growing the market for social purpose organizations. We recommend that Treasury Board Secretariat and Public Services and Procurement Canada develop a cohesive social procurement plan that supports federal initiatives related to sustainable procurement and purchasing for social and environmental impact. The plan should contain concrete measures to encourage and simplify the use of social procurement approaches across the federal government and should harmonize with initiatives on sustainable procurement, diverse suppliers, and Community Benefit Agreements.

We envision five key measures related to social procurement as part of the plan.

1. **Contracting Policy:** The Treasury Board Secretariat should amend the Contracting Policy to include a social value component in its definition of best value. This would allow departments to give weight to social purpose organizations as suppliers and award points in tenders for vendors that partner with social purpose organizations in bid submissions.
2. **Guidelines:** Public Services and Procurement Canada should develop guidelines to support procurement officers in assessing the social and environmental value of the goods and services they are buying as well as the organizations from which they are buying. The guidelines should assist procurement officers as well as provincial, territorial and municipal governments to use Community Benefit Agreements in federally funded infrastructure contracts. The guidelines will be useful in implementing Bill C-344 should it be adopted by Parliament.
3. **Coordinating Body:** A public service entity housed in Public Services and Procurement Canada should be designated and funded as the federal government's centre for social procurement expertise to coordinate work across departments, support intermediaries in building supplier capacity, provide training to government officials and disseminate the guidelines on social procurement. The entity should support the Social Innovation Data and Research Initiative (recommendation #11) in developing tools for impact measurement.
4. **Pilot Programs:** Pilot projects are needed to identify gaps in social procurement knowledge and supporting infrastructure, scale successful interventions, and demonstrate the socio-economic benefits arising from government-led social purchasing. We propose that Public Services and Procurement Canada lead the development of procurement pilots in coordination with Employment and Social Development Canada as well as other interested departments and community partners.
5. **Funding Support:** Public Services and Procurement Canada should invest in intermediary organizations, online marketplaces, certification processes and capacity-building supports for social purpose suppliers. These investments are needed to ensure that government and non-government purchasers have access to verified social purpose suppliers. Public Services and Procurement Canada could make these investments through the Social Innovation Ecosystem Program (recommendation #5).

While Treasury Board Secretariat and Public Services and Procurement Canada should lead the social procurement plan, the above measures must be developed in collaboration with and sustained by all relevant players. This includes Infrastructure Canada, Innovation, Science and Economic Development Canada and Employment and Social Development Canada. Together, these players can transform government procurement spending and leverage billions of public dollars for social impact.

5.5. Policy and Regulatory Environment

Recommendation #9: Address the legal and regulatory issues impeding charities and non-profits from engaging in social innovation and social finance.

In order to help foster social innovation and social finance, the Government of Canada needs to ensure its policies and regulations are not standing in the way. We recommend that the Government move from a compliance-based approach to regulating registered charities and non-profit organizations to one that is enabling and adaptive, so that organizations are able to innovate more readily. This new approach will require a paradigm shift, where the Government recognizes charities and non-profits as partners in achieving common objectives and acknowledges that they create value beyond the cost of the tax benefits they receive. Rather than treat charities and non-profits as competitors with the private sector, the Government should embrace the sector as part of an ecosystem of players that together create social and economic value for Canadians.

As the Government shifts its approach to regulation, it should work quickly to remove the potential policy and regulatory barriers faced by charities and non-profits when pursuing social innovation and social finance. This initiative should closely involve Finance Canada, Canada Revenue Agency, Employment and Social Development Canada and Innovation, Science and Economic Development Canada. Its centrepiece should be a consultative mechanism enabling the charitable and non-profit sector, the proposed Social Innovation Council (recommendation #2) and key government departments to collaborate on potential solutions relating to the policy and regulatory environment. Priority areas to address should include:

- **Make it easier for registered charities to use social enterprises in the furtherance of their missions by simplifying the rules governing unrelated and related businesses.** This could include exploring amendments to the *Income Tax Act* that would permit the potential application of a destination of funds test or an alternative solution allowing for this kind of flexibility to innovate. A review could also be done of the need for an unrelated business income tax or hybrid corporate structures, among others.
- **Similarly, make it easier for public benefit non-profit organizations to operate social enterprises and use the funds to support and reinvest back into the organization's non-profit purpose.** This could include amendments to the *Income Tax Act* to permit the potential application of a destination of funds test or an alternative solution allowing for this kind of flexibility. The Government could distinguish between public benefit and mutual benefit non-profit organizations which are not charities.[49] The Government should aim to strike a better balance between enabling non-profit organizations to engage in social enterprise and protecting the integrity of the non-profit legal structure.

Figure 54. The destination of funds test in Australia

In Australia, charities are allowed to generate revenue through business activities, on an income-tax-exempt basis, provided profits are used to advance the organization's charitable purpose and do not confer private benefit. In 2010, the Australian Productivity Commission concluded that income tax exemptions for non-profit organizations are not significantly distortionary, as non-profits also have the incentive to maximize the returns on their commercial activities. This causes no overall effect on output or pricing decisions and consequently does not contravene the principles of competitive equity.[50]

- **Make it easier for registered charities to innovate in collaboration with non-qualified donees, including non-profits, businesses, and social innovators.** Consider removing the prohibition on making grants to non-qualified donees and clarify the *Income Tax Act* to enable the Canada Revenue Agency to adopt an expenditure responsibility regime as a mechanism to ensure that the charity's resources are being used in furtherance of its purposes. This modernization of the rules relating to direction and control when carrying out activities with non-qualified donees will enable charities to work more closely with beneficiary groups and open up the rules pertaining to program related investments, which affect charities' ability to invest for both economic and social returns.
- **Similarly, make it easier to distinguish when an unacceptable private benefit has occurred so that registered charities can collaborate with more confidence.** Consider introducing administrative guidance containing case studies and examples that demonstrate how the Canada Revenue Agency applies the private benefit rules.

Figure 55. Foundation assets in Canada

Canada's 10,000 charitable foundations held **$73 billion** in assets in 2016, the vast majority of which is invested in conventional financial tools and products[51]. This is a key source of capital that could be more easily mobilized and redirected toward social finance investments that create positive impact in Canadian communities, if rules surrounding social finance investment were made clearer for charities.

We endorse the recommendations made by the Consultation Panel on the Political Activities of Charities in 2017. Its recommendation to modernize the legislative framework governing the charitable sector, in particular, could reshape the landscape for social innovation and social finance in Canada. A regulatory approach that focuses on charities' purposes rather than activities will help organizations raise funds, invest, and innovate for public benefit. Furthermore, a list of charitable purposes that better reflects contemporary social and environmental issues and values will unleash innovation for public benefit in sectors that are currently underserved. We await the Government's response to the Panel's recommendations.

Consideration should be given to suspending revocations of charitable status until the complete range of issues areas affecting registered charities are addressed, in close consultation with stakeholders, as proposed above.

Recommendation #10: Initiate a series of controlled regulatory experiments, or "sandboxes," to explore and experiment with new regulatory models.

We recommend that the Government of Canada begin exploring policy and regulatory barriers to social innovation and social finance through the use of "regulatory sandboxes". Regulatory sandboxes are virtual platforms or spaces that allow regulators to experiment with new regulatory models within a set of controlled parameters and can be used to assess the implications of a broader regulatory change. They are being used by regulators around the world to enable fintech companies, for example, to test new products and services in the market under specific, time-bound regulatory exemptions.

Figure 56. The Canadian Securities Administrators regulatory sandbox

The Canadian Securities Administrators (CSA), an umbrella organization of Canada's provincial and territorial securities regulators, aims to improve, coordinate and harmonize regulation of Canadian capital markets. In February 2017, the CSA launched a regulatory sandbox to support fintech businesses seeking to offer innovative products, services and applications in Canada. The sandbox allows the sector to register or obtain relief from securities law requirements. It also seeks to help the regulator gain a better understanding of how technology innovations are impacting capital markets and assess the scope and nature of regulatory implications. Examples of eligible innovations include: crowdfunding, online lending, cryptocurrency or distributed ledger technology-based ventures, and new business models using artificial intelligence for trades or recommendations.[52] For example, Impak Finance Inc., a collaborative platform for investing in socially responsible businesses, obtained exemptions under the CSA sandbox in August 2017 to raise funds for its venture through the offering of cryptocurrency, "the Impak Coin", using block chain.[53]

Regulatory sandboxes are a tool that could be applied to the issues facing registered charities and non-profit organizations in their pursuit of social innovation and social finance. Such experimentation would expand on the commitment in Budget 2018 to make the Canadian regulatory system more agile, transparent and responsive and would ensure that the regulatory regime affecting social innovation is adapting in a low-risk, iterative and careful fashion.

In the short term, we recommend the creation of three regulatory sandboxes consistent with Recommendation 9.

5.6. Evidence and Knowledge Sharing

Recommendation #11: Establish a Social Innovation Evidence Development and Knowledge Sharing Initiative.

We recommend that the Government of Canada expand the evidence base of data and research and provide a new mechanism to coordinate better sharing of data, research and knowledge across social innovation ecosystems in Canada.

Social Innovation Data

To fill foundational data gaps, we recommend that Statistics Canada revive both the **National Survey of Non-profit and Voluntary Organizations** and the Satellite Account of Non-profit Institutions and Volunteering, and update both surveys by adding data collection on social innovation, social finance and social enterprise organizations in Canada. As well, we recommend that Statistics Canada continue to include social enterprises and co-operatives in the Survey on Financing and Growth of Small and Medium Enterprises and the Annual Survey of Canadian Co-operatives.

We also recommend that data collected by Statistics Canada for the United Nations Sustainable Development Goals Unit announced in Budget 2018 include data collection on contributions to the SDGs by social purpose organizations.

To maximize the value of the federal administrative data that is already collected through its existing funding programs, we recommend that the Government of Canada adapt its datasets to clearly identify interactions with social purpose organizations. For instance, the Government of Canada could identify the extent to which employment support programs, such as the Canada Summer Jobs Program, are engaging social enterprises as employer recipients.

National Social Innovation Knowledge Sharing Network

We heard through our consultations that more supports are needed to enable social purpose organizations across Canada to connect with each other and have timely access to the data, research and knowledge they need to spread successful innovations and build stronger bonds as a community of practice. First Nations, Inuit and Métis community practitioners we spoke with in our engagement sessions noted that there were few, if any, venues for Indigenous communities to exchange lessons learned and best practices, and expressed great enthusiasm for Indigenous-led knowledge transfer initiatives and innovation hubs.

We recommend that a new pan-Canadian Social Innovation Knowledge Sharing Network be established to coordinate and promote participation and knowledge exchange. Funding supports for existing and new networks and other knowledge infrastructure would be provided under the Social Innovation Ecosystem Program (see recommendation #5).

Social Innovation Research

We recommend that the Government of Canada support research and capacity-building to advance a national culture of impact measurement that meets the diverse needs of social innovation ecosystems. We recognize that more research is needed to develop methodologies and indicators to enable national standards of impact measurement that can also meet the varied needs of social purpose organizations, funders, and investors.

We recommend dedicated funding to support scholarships and fellowships for research on social innovation and social finance ecosystems. To recognize the expertise of community partners as well as the cost of participating in research projects, we recommend that community partners be eligible for funding as co-researchers in community-academic partnership research on social innovation delivered through the Social Sciences and Humanities Research Council and the Natural Sciences and Engineering Research Council.

Furthermore, we recommend that the Government of Canada invest in an arm's-length Social Innovation Evidence Lab to work with willing social purpose organizations, investors, funders and researchers to research and test best practices on impact measurement. This Evidence Lab could take stock of and share existing knowledge and lead partnership research on impact measurement methodologies and toolkits. The Evidence Lab could also develop and test metrics that capture how social innovation advances social progress, potentially including metrics to support measurement of Canada's progress on the UN Sustainable Development Goals. The Evidence Lab would leverage impact measurement initiatives as they emerge in all jurisdictions and sectors, and be a forum for discussion and debate on competing approaches to this question.

The Evidence Lab's work to tailor measurement and evaluation for social purpose organizations would be disseminated through the proposed National Social Innovation Knowledge Sharing Network.

Figure 57. Summary of Social Innovation Evidence Development and Knowledge Sharing Initiative

- Revive and update the **National Survey of Non-profit and Voluntary Organizations** and the Satellite Account of Non-profit Institutions and Volunteering
- Continue to conduct the Annual Survey of Canadian Co-operatives and include social enterprises in the Survey on Financing and Growth of Small and Medium Enterprises
- Capture data on social purpose organizations in the new data on Sustainable Development Goals to be collected by Statistics Canada
- Adapt federal administrative datasets to identify interactions with social purpose organizations
- Establish a new pan-Canadian Social Innovation Knowledge Sharing Network
- Invest in an arm's length Social Innovation Evidence Lab
- Support scholarships and fellowships for research on social innovation and social finance
- Ensure community partners are eligible for funding in community-academic partnership research on social innovation delivered through the Social Sciences and Humanities Research Council and the Natural Sciences and Engineering Research Council

5.7. Awareness and Mobilization

Recommendation #12: Coordinate a national social innovation and social finance awareness campaign.

We recommend that the Government of Canada fund an awareness campaign to promote the concepts and practices of social innovation and social finance among Canadians. The proposed Office for Social Innovation would support national, regional and local partners in this work. The national awareness campaign on social innovation and social finance should:

- Increase Canadians' understanding of the role they can play as innovators, volunteers, donors, consumers, and investors to create better outcomes in their communities;
- Leverage innovative funding tools, such as challenges and prizes, and partner with existing award programs to highlight social innovations and further share learning (see Figure 58);
- Foster cross-sector partnerships and multi-sector involvement through networks and engagement in virtual and physical spaces;
- Support youth engagement in social innovation and social finance through scholarships, fellowships and work-integrated learning; and
- Use new as well as traditional media and adopt messaging and innovative methods that are suited to under-represented groups, including youth, women, people living in rural and remote communities and immigrants.

The awareness campaign would be one component of an ecosystem approach to growing social innovation and social finance, and as with all measures being proposed, should not be undertaken in isolation. In designing the various initiatives of the awareness campaign, the Social Innovation Council may wish to target specific constituencies, such as investment advisors or boards of foundations, where increased awareness could drive systems-level change.

Figure 58. Trico Social EnterPrize

Many award programs exist in Canada that bring attention to social innovation and social finance. Trico Charitable Foundation's Social EnterPrize, for example, celebrates Canadian organizations demonstrating best practices, impact and innovation in social enterprise. One of the 2017 recipients was Fogo Island Inn in Newfoundland, an initiative of Shorefast, a charity. The development of the Inn has delivered a new source of cultural and economic resilience to a rural community still feeling the economic impacts of the 1992 moratorium on cod fishing. The Inn incorporates public spaces to bring the community closer to guests, and the furniture and textiles used within the Inn were created on Fogo Island. "Social enterprise has given us the opportunity to redefine how business is used as a tool to strengthen community and develop the inherent capacities of people, as well as create models for community ownership of economic assets," says Diane Hodgins, CFO of Shorefast.

The Government also has a role to play in building awareness within the federal public service. In doing so, it should create opportunities for public servants to use social innovation and social finance tools collaboratively across departments and in partnership with other sectors, including the charitable and non-profit sector, the co-operative and mutuals sector, academia, and the private sector. We recommend that the Government develop concrete tools to support public servants' work, such as training modules on social innovation, social finance and social enterprise through the Canada School of Public Service, so that public servants are better equipped to implement more effective and impactful policies, programs and projects.

6. Conclusion

The federal government's commitment to develop a Social Innovation and Social Finance Strategy is a momentous opportunity. Many of the Canadians we consulted described it as a once-in-a-generation chance for the Government to reimagine how it thinks about economic growth and social inclusion, to ensure no one gets left behind. These Canadians urged us to draw inspiration from the global movement in support of social innovation and social finance and to be bold in our recommendations.

It is in this spirit that we call upon the Government to make strategic investments in support of the many ecosystems working across the charitable and non-profit, public and private sectors to strengthen communities through innovation.

The recommendations in this report are intended to be acted upon together. Many of them could begin to be implemented in the short term using existing resources. For instance, the Government could:

- Identify federal innovation supports that could immediately be opened to social purpose organizations (recommendation #4), such as the Community Futures Program;
- Continue to explore procurement-related initiatives (recommendation #8); and
- Explore opportunities to test the innovation funding criteria (recommendation #7). For example, the Government could incorporate the funding criteria in programming related to its $100 million commitment to Early Learning and Child Care Innovation.

Other recommendations will require the Government to make policy and funding decisions over the medium term. As the Government works to develop Budget 2019, we recommend that it acknowledge the need for an integrated set of supports, with early investment focusing on:

- Creating the governance and public sector infrastructure required to anchor long-term policy action, through the establishment of the Social Innovation Council (recommendation #2) and the Office for Social Innovation (recommendation #3);
- Funding the Social Innovation Ecosystem Program (recommendation #5) and the Social Finance Fund (#6) as two key investments which must work together to respond to long standing gaps in areas such as early-stage support, capacity-building, impact measurement and knowledge sharing in support of social innovation and social finance;

- Identifying additional federal innovation supports to be adapted or made available to social purpose organizations, including those which do not generate revenue (recommendation #4); and
- Committing to action on the legal and regulatory issues impeding charities and non-profits (recommendation #9).

The Social Innovation and Social Finance Strategy will require a sustained effort over the long term if it is to deliver better social, economic and environmental outcomes for Canadians. Many of the measures we have recommended will require federal departments and agencies to commit ongoing resources to changing the way they work. The Government will also be expected to address additional issues and opportunities identified through the work of the Social Innovation Council, once it has been put in place. As the Government moves to implement new measures in support of social innovation and social finance over the coming years, it should commit to engaging Indigenous communities and National Indigenous Organizations, at a pace determined by them, to explore potential Nation-to-Nation collaborations in this area. Our recommendations recognize that Indigenous communities must be engaged in the design of and benefit from measures resulting from this Strategy.

The time has come for Canada to learn from and catch up to its peers and begin valuing innovation for social and environmental good at the same level of ambition that it does commercial and technological innovation. Our country has what it takes to resolve the pressing social and environmental challenges facing our society, provided we embrace a more inclusive view of innovation that recognizes the contributions of social purpose organizations and encourages cross-sector collaboration as a matter of routine. With smart investments in our diverse people and ideas, our communities are poised to realize their aspirations for a more inclusive, prosperous, and sustainable future.

Annex: Consultations and Engagement

Consultation and engagement process

Between August 2017 and May 2018, we, the seventeen members of the Social Innovation and Social Finance (SI/SF) Strategy Co-Creation Steering Group, and Employment and Social Development Canada (ESDC) officials supporting this work led a consultation process to explore the potential of using social innovation and social finance tools to address persistent social challenges.

Co-creation is itself an engagement process that involves external stakeholders as well as the Government of Canada. ESDC actively participated in the process, from a Director General named as co-chair of the Steering Group to countless direct interactions with the departmental officials supporting the Steering Group. Officials from multiple federal departments also provided input into the Steering Group meetings and deliberations. As Co-Creation Steering Group members, we engaged with each other in meetings, email threads, and teleconferences to discuss our perspectives and co-create our recommendations based on collective decades of experience across social innovation and social finance in multiple sectors and from different parts of Canada.

We worked with the ESDC Secretariat to develop a consultation document and then engage Canadians and social purpose organizations across the country to hear their ideas. We also reviewed findings of several previous studies, including: *Exploring the Potential of Social Finance in Canada* (2015) (the report of the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities); and *Mobilizing Private Capital for Public Good* (2014) (the report of Canada's National Advisory Board to the G7-based Social Impact Investment Taskforce).

We gathered responses to the consultation document in four ways: online consultations, targeted webinars, in-person consultations, and formal submissions (electronic and hard copy). Online consultations included a Government of Canada consultation website, Engagement HQ. Active from September 29, 2017, to January 31, 2018, Engagement HQ welcomed broad public sharing of social innovation successes, ideas and input on the six areas for action, and quick polls on key questions about social innovation and social finance. There were more than 4,800 visits to our Engagement HQ portal and 94 submissions. Between September 25 and November 24, 2017, a platform called Assembl offered a shared space for debate and conversation, gathering more than 500 comments from 127 participants. Throughout the consultation and engagement process, we received ideas by email and in writing from national and local organizations, as well as from interested Canadians.

Our outreach extended out through both the networks of Steering Group members and the networks of key stakeholders. We were grateful to many organizations that featured articles about the consultation and engagement process in their newsletters. Information was also sent to over 15,000 young Canadians through the Privy Council Office Youth Secretariat youth engagement lists.

We consulted in person and virtually with stakeholders across Canada. As part of the engagement process, we received written submissions from over 50 organizations working across Canada. We received input from hundreds of people and from many groups and organizations that support social innovation, social finance and social enterprise across the country, including: networks, financial organizations, academics, social procurement groups, community-based social purpose organizations, and social enterprise organizations. Formal submissions and in-person consultation sessions are listed below.

What We Heard

Overall, Canadians expressed strong interest in the Government pursuing innovative approaches to persistent social challenges. Many organizations and individuals offered their support for ongoing and new work to develop social innovation and social finance ecosystems. We heard that people want opportunities to work together across sectors, across issue areas, and with governments at all levels to improve outcomes for Canadians.

Early on, we put forward and heard agreement that the proposed Strategy could:

- promote and support better social outcomes for Canadians;
- focus on improving the lives and well-being of people in the most vulnerable situations;
- support partnerships across sectors; and
- include work to advance the United Nations Sustainable Development Goals (SDGs), which encompass environmental, social and economic development goals.

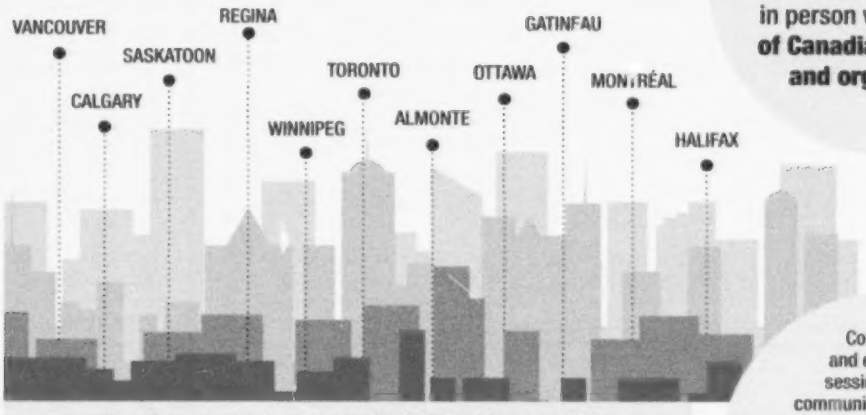
The Indigenous groups and individuals we met with as part of our stakeholder engagement process expressed cautious optimism for the potential of adopting social innovation and social finance practices to create better social and environmental outcomes in the areas they identify as priorities, and to promote capacity-building and knowledge transfer in Indigenous communities. First Nations, Inuit and Métis community practitioners also shared perspectives on risks that social innovation and social finance practices could potentially create for them. We heard that the Government should commit to further engagement with communities and National Indigenous Organizations, at a pace determined by them, to explore potential Nation-to-Nation collaborations in this area.

ENGAGING WITH CANADIANS

ON SOCIAL INNOVATION AND SOCIAL FINANCE

OUTREACH

The Social Innovation and Social Finance Strategy Co-Creation Steering Group's 17 members engaged in person with **hundreds of Canadian individuals and organizations**



Over **50 consultation and engagement sessions** held in person, by teleconference, and online

Consultation and engagement sessions included community organizations, non-profit organizations, charities, foundations, co-operatives and mutuals, social enterprises, unions, umbrella groups, official language minority communities, individual social innovators and members of the general public

- Email outreach to over **15,000 Canadian youth** through the Youth Secretariat
- More than **400 experts and practitioners** invited to a deliberative online forum
- Engagement with over **35 Indigenous organizations**

ONLINE

#socialinnovation
#socialfinance

14,200+
TOTAL VISITS

640+
CONTRIBUTIONS

900+
QUICK POLLS, VOTES, AND COMMENTS

MORE THAN 50 DETAILED FORMAL WRITTEN SUBMISSIONS FOR THE CO-CREATION STEERING GROUP'S CONSIDERATION

Social Innovation and Social Finance Strategy Co-Creation Steering Group

1. Ajmal Sataar (Co-chair)
2. Allyson Hewitt
3. Brenda Zurba
4. Carl Pursey
5. Catherine Scott (Co-chair, government representative)
6. David LePage
7. David Upton
8. Don Palmer
9. Francine Whiteduck
10. James Tansey
11. Lauren Dobell
12. Marie J. Bouchard
13. Nancy Neamtan
14. Norm Tasevski
15. Roselyne Mavungu
16. Stephen Huddart
17. Tania Carnegie

Formal submissions to the Steering Group

1. Agents of Change
2. Aiding Dramatic Change in Development
3. Canadian Association of Social Workers
4. Canadian Credit Union Association
5. Canadian Union of Public Employees
6. Canadian Worker Cooperative Federation
7. Cause and Effect Marketing
8. Centre for Social Innovation
9. Community Futures Network of Canada
10. Co-operatives and Mutuals Canada
11. Corporation de développement communautaire du Haut-Saint-Laurent
12. Corporation de développement communautaire MRC de l'Assomption
13. Ensemble pour le développement des communautés Francophones et Acadiennes du Canada
14. Enviro-Stewards
15. Eva's Initiatives for Homeless Youth
16. Exchange Inner City
17. Fédération des communautés francophones et acadiennes du Canada
18. Futurpreneur Canada
19. Green Science
20. Iler Campbell Limited
21. Imagine Canada

22. Imagine Canada and the Canadian Council on Social Development (on behalf of the Working Group on Sector-Wide Data for the Charitable and Nonprofit Sector)
23. Individual submission (with the support of Simon Fraser University Community Economic Development Alumi)
24. La Maison Bleue
25. La Ruche
26. Le Conseil québécois de la coopération et de la mutualité and le Chantier de l'économie sociale
27. Local Economic Development Lab (LEDlab)
28. Momentum (Calgary)
29. National Open Innovation Collaborative Ecosystem
30. National Union of Public and General Employees
31. Ontario Nonprofit Network
32. Pillar Nonprofit Network
33. Prosper Canada
34. Québec City Innovation Forum
35. Quebec Community Groups Network
36. Réseau Transtech
37. Rick Hansen Institute
38. Sensorica
39. Social Enterprise Council of Canada
40. Tamarack Institute
41. Territoires innovants en économie sociale et solidaire
42. The Canadian Network for the Prevention of Elder Abuse
43. The Ontario Co-operative Association
44. The Raw Carrot Soup Enterprise
45. The Social Enterprise Consortium
46. The Social Research and Demonstration Corporation
47. The 'Winnipeg Boldness Project with Exeko, InWithForward, and Skills Society
48. Toronto Enterprise Fund
49. Toronto Enterprise Fund and Ontario Social Economy Roundtable
50. United Way Calgary
51. United Way Centraide Canada
52. Woodgreen Community Services
53. Young Entrepreneur Leadership Launchpad (YELL Canada)

Consultations and engagement with stakeholders

The following is a list of some of the many formal and informal consultations. This list includes in-person discussions, webinars, and teleconferences.

Conferences and gatherings

- SPARK! – Canadian Summit on Social Innovation
- MaRS Centre for Impact Investing Social Finance Forum
- Social Enterprise World Forum
- EconoUS - Canadian Community Economic Development Network Conference
- Future of Good
- Canada's Impact Moonshot: Creating Inclusive Prosperity
- Conference Board of Canada's Business |Un|Usual Profit for Purpose Conference
- G7 Conference on Wholesale Social Finance

Academics, colleges, institutes, and universities

- B Corp Academic Roundtable
- Centre interdisciplinaire de recherche et d'information sur les entreprises collectives (CIRIEC Canada)
- Colleges and Institutes Canada
- Universities Canada
- First Nations University of Canada
- Territoires innovants en économie sociale et solidaire (TIESS)
- McGill Dobson Centre for Entrepreneurship
- Simon Fraser University
- Université du Québec à Montréal
- University of Winnipeg

Credit unions

- Credit Union Community Impact Committee
- Vancity Community Investment Bank Board

Community-based organizations and practitioner-focused

- Canadian Executive Service Organization - Service d'assistance canadienne aux organismes (CESO–SACO, international development-focused)
- The McConnell Family Foundation (Innoweave)
- Community Forward Fund
- Eastern Ontario rural social enterprise and community groups engagement session
- Montreal consultations with organizations serving immigrants and black communities
- Ottawa community and social enterprise organizations consultation session hosted at Causeway Work Centre
- Ottawa Community Foundation
- Ottawa Community Loan Fund
- Prosper Canada
- Saskatoon community and social enterprise organizations consultation session with Quint Development Corporation
- The Winnipeg Foundation
- Webinar with social purpose organizations situated throughout Atlantic Canada
- World University Services Canada

Consultation with networks and other organizations

- Canadian Community Economic Development Network
- Canadian Executive Service Organization (CESO)
- Canadian Labour Congress
- CAP Finance (réseau de la finance solidaire et responsable)
- Chantier de l'économie sociale
- Co-Ops and Mutuals Canada
- Co-operatives First
- Canadian Community Economic Development Network Conference
- Fédération des ainées et ainés francophones du Canada (FAAFC)
- Food Secure Canada
- Imagine Canada
- Maison du développement durable
- MicroEntreprendre - Québec community credit network
- Ontario Nonprofit Network
- Philanthropic Foundations of Canada
- Quebec Community Groups Network (Official Language Minority Community consultation)
- Réseau québécois en innovation sociale
- Social Innovation Canada (a network in development and a national affiliate of the global Social Innovation Exchange, SIX)
- Social Innovation Generation (SiG) Social Research and Development Practitioner Gathering
- Women's Economic Council (webinar session with other organizations focused on women social entrepreneurs and women's economic development)

Social finance – roundtables on social finance-related recommendations

- Atlantic Region roundtable with intermediaries, funders, experts, social enterprises and service delivery organizations from all four Atlantic provinces
- National roundtable in Ottawa involving federal officials and a variety of stakeholders, including intermediaries and philanthropic organizations
- Toronto roundtable involving financial sector representatives from banks, private equity firms, wealth management firms as well as intermediaries and other stakeholders testing social finance approaches
- Vancouver roundtable and events with the National Impact Investment Practitioners Table and Vancity

Social procurement organizations

- Buy Social and Public Services and Procurement Canada Pacific Region Supplier Advisory Committee
- Canadian Institute for Procurement and Materiel Management

Indigenous engagement

Congress of Aboriginal Peoples affiliates

- Native Council of Nova Scotia (Truro, Nova Scotia)
- Native Council of Prince Edward Island (Charlottetown, PEI)

First Nations

- Atlantic Policy Congress of First Nations Chiefs (30 Mikmaq, Maliseet, Innu, Passamaquoddy FNs)
- Mi'kmaq Confederacy of Prince Edward Island
- Chiefs of Ontario

Friendship Centres

- Under One Sky Friendship Centre (Fredericton, NB)
- Mi'Kmaq Child Development Centre (Halifax, NS)

Independent First Nations of Ontario

- Animbiigoo Zaagi'igan Anishinaabek First Nation
- Chippewas of Nawash Unceded First Nation
- Mohawks of Akwesasne
- Shawanaga First Nation
- Shoal Lake First Nation
- Tamagami First Nation
- White Dog First Nation

Manitoba First Nations

- Peguis First Nation
- Keewatin Tribal Council
- Island Lake Tribal Council
- Interlake Reserve Tribal Council
- Fisher River Cree Nation
- Swampy Cree Tribal Council
- West Region Tribal Council, and representatives from the Tribal Wi-Chi-Way-Win Capital Corporation

Non-governmental organizations

- Algonquin First Nations Economic Development Association
- Apeetogosan (Metis) and Pinnacle Business Services (Edmonton, Alberta)
- National Affordable Housing Corporation Prairie Region, (Saskatoon, Saskatchewan)
- Ontario First Nations Economic Development Association (Pembroke, Ontario)
- First Nations University of Canada (Regina, Saskatchewan)

Winnipeg roundtable on Indigenous social innovation and social finance

- Alberta Indian Investment Corporation
- AFOA Canada
- Arctic Co-ops Limited
- First Nations Bank of Canada
- The First Nations of Quebec and Labrador Economic Development Commission
- The Imagination Group
- NATAO, Business Development and Strategic Initiatives
- The Native Canadian Centre of Toronto
- Native Montreal
- Nishanawbe Aski Development Fund
- Ottawa Community Foundation
- Tribal Wi-Chi-Way-Win Capital Corporation
- Winnipeg Boldness Project

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[29] Registered charities must devote their resources to their charitable activities and purposes. They may only carry on a "related" business, unless it is designated as a private foundation, in which case its charitable status can be revoked if it carries on any business. A related business is one where substantially all of the persons running it are volunteers or it is linked and subordinate to the charity's purposes. Carrying on unrelated business activities can subject a charity to penalties or revocation. Refer to the Canada Revenue Agency's Policy Statement CPS-019, "What is a related business" for more information.

[30] Names have been removed to protect the identity of the organization.

[31] Section 149(1)(l) of the *Income Tax Act*

[32] A non-qualified donee is any organization that is unable to issue an official donation receipt for gifts they receive from individuals and corporations. This would include most non-profit organizations, for-profit organizations, and individuals. See Canada Revenue Agency Guidance CG-010, "Qualified donees" for more information.

[33] Names have been removed to protect the identity of the organizations.

[34] Refer to paragraph 20 of Canada Revenue Agency Guidance CG-014, "Community economic development activities and charitable registration."

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